

Barristers back single governing body that keeps judges out

By Frances Gibb, Legal Affairs Correspondent

Barristers have overwhelmingly voted for a radical reform of their constitution, including a new single governing body more accountable to the profession's rank and file and more ready to champion their needs.

At an extraordinary general meeting in London on Saturday 300 barristers voted in favour of the creation of a new governing body which shifts power to the ranks of the profession and from which the first time judges will be excluded.

The new 93-member body which will replace the existing Bar Council and the Senate of the Inns of Court was recommended recently by a committee of judges and barristers under Lord Rawlinson of Ewell, QC, former attorney general.

It will be more democratic, more representative of the young and provincial Bar and

more responsive to the profession's needs in the face of challenges such as those from solicitors on rights of audience. Without the presence of judges, who support the proposals, the governing body will be free to tackle the Government over such issues as legal aid fees, it is felt.

The proposals, to come into force on January 1 next year, will end an uneasy power-sharing between the Bar Council and the four Inns of Court run by judges and barristers elected as benchers.

At the same meeting, barristers voted overwhelmingly for an expanded and strengthened secretariat as proposed by Coopers and Lybrand, management consultants, and also in principle for compulsory subscriptions to the new body, to be called the General Council of the Bar.

Subscriptions until now have been voluntary but a

considerable rise in income, possibly by about 86 per cent, is needed to put the proposals for a strengthened secretariat into force.

There is, however, to be a ballot of the whole profession on the issue of compulsory subscriptions.

Yesterday Mr Robert Alexander, QC, Bar chairman, said that the meeting demonstrated both the profession's unity and its determination to ensure that its professional body was "strong enough to give a full service to the profession and to meeting the expectations of the public".

The Rawlinson report highlighted dissatisfaction with the present machinery of government at the Bar and concluded there was an urgent need for change. A new body was recommended which would adopt a more trades-union-like role on behalf of its members.

'Advisers needed for sentencing reforms'

By Our Legal Affairs Correspondent

The creation of a sentencing commission under the Lord Chief Justice backed by a network of regional sentencing advisory committees is called for by the Justices' Clerks Society today to improve consistency in magistrates' sentencing.

The two-branch proposal for reform is put forward by the society of 350 chief legal advisers to magistrates to the Home Office in response to the criminal justice White Paper.

Much more needs to be done, the society says, to encourage "greater consistency of approach to sentencing in magistrates' courts" and more guidance on sentencing needs to be available to magistrates and their clerks.

Concern over the level of sentencing has led to a government proposal to strengthen the role of the Judicial Studies Board.



The women's slalom event heading for the finish at the ninth annual concrete canoe races at Thorpe Park, Chertsey, Surrey, held by the Concrete Society yesterday. Some competitors came from The Netherlands (Photograph: Peter Trievner).

Test case for wives caring for disabled

Thousands of married women in Britain looking after disabled relatives will be the subject of a test case in the European Court of Justice this week.

The bill for the Government could rocket from about £11 million a year for invalid care to at least £85 million a year if the Luxembourg judges back her claim to the £23-a-week allowance at present paid only to single women or men.

The court will announce tomorrow whether it agrees that the restriction is a breach. Mrs Drake, aged 42, of Worsley, Greater Manchester, has won every stage in her campaign so far, including the backing of the European Court's advocate-general, whose advisory finding is usually followed.

An estimated 110,000 married women will lodge claims with the Department of Health and Social Security if Mrs Drake clears the final hurdle. The DHSS claims that Mrs Drake is entitled only to an attendance allowance for looking after her mother.

Oil slump upsets Saudi arms deal

By Rodney Cowton, Defence Correspondent

The Ministry of Defence hopes to complete negotiations within the next two months of a financial package to get round the effect of the collapse of oil prices on Britain's £5 billion arms sales deals with Saudi Arabia.

Under these agreements, on which a memorandum of understanding was signed last autumn, Saudi Arabia will buy 72 Tornado combat aircraft, as well as other trainer aircraft and weapons.

A large part of the price is to be paid in oil, but because of the fall in the value of oil much more will be needed than had originally been planned.

There had in any case always been a problem in the early phases of the agreement of keeping payments in step with a high rate of deliveries of aircraft and other equipment, and this has been made more difficult by the oil slump.

But Ministry of Defence sources said yesterday they were confident that these problems could be overcome.

It is understood that when Mr George Younger, Secretary of State for Defence, visited Saudi Arabia last May, the Saudis made clear their determination to go through with the deal.

So far six Tornados have been delivered, and about £500 million has been received in oil and cash payments.

It is understood the Government is hoping that negotiations on new financing arrangements can be completed in August. They seem likely to involve a substantial increase in the volume of oil, although this will not necessarily be channelled through Britain, and also probably some form of financing arrangement through the Saudi Arabian banks.

13 Britons questioned over ferry incident

Police were yesterday questioning 13 young Britons after a fracas on board a cross-Channel ferry in which a bar was wrecked and four French crew members were assaulted as the ship sailed from Dieppe to Newhaven, East Sussex.

Police met the French-owned Chertres when it docked on Saturday night and 21 people were arrested. Eight were later released.

The ferry, which should have sailed back immediately, left early yesterday.

Part-time soldier dies

One part-time soldier was injured and a second died, probably from a heart attack, after a smoke dispenser exploded when men from the Territorial Army's Assault Troop were preparing an assault course for a military display at Shirley, Solihull, West Midlands.

Mark Wilson, aged 20, was released from hospital after wounds were stitched and burns on his hands treated. The police are trying to trace the parents of the dead man, aged 23, from Marston Green, Birmingham, who are on holiday in Greece.

More crimes cleared up

The total number of recorded crimes in Scotland, 462,000, was 2.7 per cent fewer than in 1984 and the first drop in the crime figures since 1978, according to government figures today.

Force cleared up a total of 155,023 crimes in 1985, almost 9,000 more than in the previous year. Crimes of violence increased by 10 per cent last year and drug offences rose by 15 per cent to 5,100.

Student hurt

Miss Tracy Hunt, aged 21, a student of Southwood Avenue, Coulsdon, Surrey, was "still critical but stable" in Gwynedd Hospital, Bangor, north Wales, yesterday after a fall on Snowdon during the annual Fourteen Peaks event in Snowdonia at the weekend.

Cottage ready

The National Trust has completed £150,000 improvements at Bridge Cottage, Flatford, Suffolk at the heart of Constable country where 250,000 visitors are expected this year.

Business help

Financial support to help blacks set up their own businesses is planned by members of the Labour-controlled Nottingham city council.

Minister's retreat on 'slums'

By Richard Evans

Political Correspondent

Mr Geoffrey Pattie, the minister who said council housing bred slums, delinquency, vandalism and waste, staged a diplomatic retreat yesterday.

The climbdown by the Minister for Information Technology comes after hostile criticism from his own constituents, Conservative as well as Opposition MPs, and an implied rebuke from the Prime Minister.

In an open letter to his constituents, he said: "I understand from you that some council tenants in my constituency were offended by the reports they read of my speech."

"You have also told me that some others did not understand that I was not in my speech referring to the tenants of council housing, nor was I suggesting that all council properties everywhere in the country were slums."

"Such a proposition would be manifestly absurd. Most council housing is of a high standard and well kept."

Beach man killed in cliff slide

By A Staff Reporter

Cliffs along the Cornish coast were checked for safety yesterday after the death of a beachguard in a landslide caused by rain.

Mr Carl Edwards, aged 22, an Australian, was crushed when 40 tons of rock and mud crashed on to the lifeguard hut at Towan beach, Newquay.

The accident happened after violent storms swept the West Country and west Wales.

Coastguards resumed their search for Steven McLeod, aged 16, from Falmouth, who may have been swept into the sea while fishing from rocks at Porthkerry on Friday. He is believed to have been with Mr Charles Wickham, aged 51, a shop manager, who died in the water.

The body of a young man was recovered by helicopter on Saturday night after being discovered floating in the Solent beside a 20ft shark.

Police said later that the body, which had not been interred with the shark, is believed to be that of a youth aged 16 who disappeared while swimming.

1,000lb bomb defused

Bomb disposal experts in Northern Ireland yesterday defused a 1,000 lb bomb intended to blow up a patrol vehicle after working on the device for two days.

The large bomb was discovered at Narraway on the road between Newry and Warrenpoint in Co Down, and only 100 yards from the spot where 18 paratroopers were killed by the Provisional IRA

on the same day in 1979 that Lord Mountbatten of Burma, was murdered.

Terrorists had packed the explosives into fertilizer bags which they stacked and hid behind a wall at Warrenpoint golf club. The device would have been detonated as a patrol vehicle passed. The discovery caused long diversions for motorists as police closed the road.

Irish divorce poll

By Richard Ford

Result expected to be close

The Irish Republic's government has attempted to counter the serious threat posed to its plan to remove the ban on divorce by its opponents' emphasis on the pension, social welfare, and property rights of a first spouse.

Opponents of divorce have run an astute campaign in which they have highlighted the material problems that could result if Thursday's referendum is passed.

The strategy, combined with the Roman Catholic Church's concentration on the wider effects of divorce for the family and society, has forced the government and its supporters on to the defensive and has brought predictions that the result will be very close.

Instead of discussing the problems caused by the estimated 70,000 couples affected by marital breakdown and the growing number of irregular relationships with little protection in law, those in favour of divorce have had to respond regularly in complicated legal terminology to questions about financial payments and property rights of the first spouse and children.

This has proved a potent tactic in rural Ireland, where farmers fear wives will walk out on them with entitlement to compensation and part of the farm, and where succession rights and the fear of losing the family's land remain an emotive issue.

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Yesterday, Dr Garret Fitzgerald sounded angry when questioned in an Irish radio interview on issues apart from divorce itself.

He said: "All these points have been put forward in a very misleading way. The children of the first family retain their succession rights, and the wife of the first family has a right to compensation. Every possible red herring and distraction that could confuse the issue has been drawn across. The issue is the couples in their tens of thousands who are in extreme misery."

The pulpits of the republic resounded to the anti-divorce message yesterday as priests and bishops continued their struggle to defeat the referendum, which would remove the constitutional ban on divorce and lead the way to the introduction of civil divorce.

The tie that still binds, page 15

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30-35	2,000	1,700	2,000	3,700	2,000
35-40	2,000	1,067	2,000	2,067	2,000
40-45	2,000	433	2,000	433	2,000
45-50	2,000	0	2,000	0	2,000
50-55	2,000	0	2,000	0	2,000
55-60	2,000	0	2,000	0	2,000
60-65	2,000	0	2,000	0	2,000
65-70	2,000	0	2,000	0	2,000
70-75	2,000	0	2,000	0	2,000

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18-20	£5,000	£9,000	£5,000	£19,000	£5,000
20-25	5,000	7,500	5,000	15,500	5,000
25-30	5,000	6,000	5,000	12,000	5,000
30-35	5,000	4,500	5,000	8,500	5,000
35-40	5,000	3,000	5,000	5,000	5,000
40-45	5,000	1,500	5,000	1,500	5,000
45-50	5,000	0	5,000	0	5,000
50-55	5,000	0	5,000	0	5,000
55-60	5,000	0	5,000	0	5,000
60-65	5,000	0	5,000	0	5,000
65-70	5,000	0	5,000	0	5,000
70-75	5,000	0	5,000	0	5,000

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Dentists not disclosing patients' payments, ministry survey shows

By Nicholas Timmins, Social Services Correspondent

Dental charges may be higher than necessary because many dentists are not declaring payments from patients for National Health Service treatment, a confidential survey suggests.

The figures from the Department of Health and Social Security survey, which the British Dental Association is challenging as "spurious", suggest that millions of pounds in NHS income from dental charges were not being declared to the Dental Estimates Board.

As a result NHS charges may well be set too high, because they are pitched at a level intended to bring in the Government's target for charge income to help to pay for the dental service.

Although the dentists are entitled to keep the payments, their failure to declare them is a breach of their terms and conditions of service.

The ministry's study was carried out after criticism from the public accounts committee of the House of Commons.

Among patients who paid charges, there was an increase

of 128 per cent between 1975 and 1983 in cases where dentists claimed only an examination fee from the NHS but reported no other treatment.

Among patients who are exempt from charges, where the NHS rather than the patient would pay the dentist, the increase had been only 8 per cent. If the gap was due to dentists failing to record treatments they had in fact carried out, their value would have been £13 million at 1982 prices, the committee said.

The ministry's survey involved asking more than 2,000 patients if they had been charged for any other treatment in cases where dentists had submitted only a claim for the £3 examination fee. No less than a third of the patients said they had been.

The results, however, are being challenged by the British Dental Association. Mr David Watson-James, chairman of the General Dental Services Committee, said: "The design of the department's questionnaire was so seriously flawed that we believe the results are spurious."

"There is clearly a problem with a small number of dentists who have not been filling in the forms properly. But we do not believe the problem is of anything like the magnitude this back of an envelope study suggests."

The association would co-operate in a larger-scale properly designed study that the department was proposing for the autumn, he said.

"If dentists are doing this, it is a clear breach of their terms and conditions of service," Mr Watson-James said.

"If service committee cases are brought against them that will be done with our wholehearted support. But we just do not believe the problem is anything like as large as these figures suggest."

The Department of Health and Social Security said where the survey suggested a dentist was regularly not declaring the treatment given and payments received the dentist would be referred to the local family practitioner committee for a possible disciplinary case.

"We are determined to stop this abuse," it said.

BMA joins records rumpus

By Our Social Services Correspondent

The British Medical Association is to decide this week whether it will support patients having a legal right to see their medical records amid signs that doctors are deeply divided over the issue.

The Department of Health will shortly have to decide to what extent patients will have access to computerized records held about them under the Data Protection Act. Doctors expect that rules applied to computerized records will eventually affect manual records as well.

The department has canvassed three options—no legal right of access, complete freedom to demand to see personal medical records, or a compromise, which the department itself favours.

The compromise would give patients the legal right to see their records. Doctors would still be able to withhold infor-

mation that could harm patients, but patients would then have the right to ask for a second opinion on whether it was in their interests, rather than the doctor's, that such information should be withheld.

The proposals have produced widely differing views among the British Medical Association, although the association's council has already told the department it backs the middle course.

Since then the association's hospital consultants' conference has opposed any legal right of access to records, giving a warning that mental patients, children and others could be harmed, and the medical academics have backed the consultants' view.

The association's family doctors' committee approved qualified access, but last week the annual conference of fam-

ily doctors narrowly overturned that decision, voting for a ban on any legal right of access.

The committee, which is not formally bound by the conference decision, this week decided to ignore it and continue to back patients' rights to see their records in most cases. This decision may cause a rumpus at this week's annual meeting of the association in Scarborough.

The key motion down for debate supports patients being allowed "medically supervised access" to personal records. The result will finally decide the association's policy. Other motions from doctors in Yorkshire, Cumbria, Worcestershire, Berkshire, Cheshire and parts of Scotland vigorously oppose patients' having the right of access. The vote may be close.

Covent Garden opts for 'surtitle' translations

By Norman Lebrecht

The Royal Opera House, Covent Garden, in a break with cosmopolitan tradition, is to transmit a simultaneous translation with some of its operas.

Starting in October, audiences will see selected lines of dialogue beamed in English on to a 10ft wide screen above the stage. The captions, known as "surtitles", will appear for the first time in Leos Janáček's *Jenufa*.

Bernard Haitink, music director-designate, insisted on surtitles to help listeners to cope with a language few will have mastered. Even those devotees who make a fetish of following the original libretto may find themselves floundering with a Slavonic text.

More controversially, however, three familiar German operas, *Der Rosenkavalier*, *Arabella* and *Die Fledermaus*, have now been earmarked for surtitling and Sir John Tooley, general director, wants to use titles with every opera in the repertoire.

To protect the blood pressure of purists, he proposes staging some performances of each work with surtitles and some without. Sir John said: "There will be greater enjoyment if the public has fuller understanding of what is being sung. It is a very rare person

who will have memorized everything."

The Royal Opera House has previously used captions only in school matinees.

Glyndebourne, the other British company to sing all operas in the original language, faced an angry response when it surtitled a touring production in 1984.

But a poll of last year's touring audiences showed that 82 per cent approved of translation, while fewer than one in 10 reacted strongly against it. Nevertheless, surtitles are not yet contemplated at the Glyndebourne Festival itself.

The practice of providing simultaneous translation, often a word-for-word relay of the libretto, began in the United States where audiences, except at the Metropolitan Opera, New York, are presumed to lack linguistic versatility.

Covent Garden will use an £18,000 two-projector system paid for by the Durrington Corporation, a commercial sponsor. The projection equipment is housed in what staff call the "old BBC sound box", a studio unused for three years since opera broadcasts ended after an unresolved dispute about chorus fees.

European sale of 10 m discs predicted

By Bill Johnstone
Technology Correspondent

The British sales of compact disc players will explode in the next five years and lead to a sales war in the high street where prices will drop by half, a study by Euromonitor has found.

If the product is made more appealing to the young, European sales will top 10 million units in 1991, about five times what they are, the study claims.

The price war in Britain however is already in evidence, the survey says. British hi-fi purchasers are younger than those in France and West Germany.

Britain, with Sweden, is also unusual in having rental schemes for compact disc players, available at about £10 a month.

But, the study claims, manufacturers seem to have misjudged the market among the young for CD systems, and failed to invest in sufficient production facilities.

Turkey charge

Four men will appear in court today accused of threatening to poison turkeys on supermarket shelves produced at Mr Bernard Matthews' Norfolk farm.



Prince Andrew, president of the Royal Aero Club, and Miss Sarah Ferguson watching the end of the DEC Schneider trophy air race, the world's longest closed circuit air event, on the Isle of Wight yesterday (Photograph: Suresh Karadia).

Attendant injured in garage fire

A petrol pump attendant was in a special unit at Mount Vernon Hospital, Northwood, north-west London, last night, suffering from serious burns received after filling a car at the Woodlands Garage in Overton, Hampshire.

He was walking towards the cashier's office and his back caught fire. We don't yet know what caused him to burst into flames," the police said.

Mr Ruxar Ahmed, of Heathdale Avenue, Hounslow, was working at his brother's garage.

Insurance bonuses to beat burglars

By Stewart Tendler, Crime Reporter

Householders installing anti-burglary devices such as window locks are to be offered discounts on their insurance premiums in a scheme to be announced today by Mr Douglas Hurd, Home Secretary, during a Downing Street seminar on crime prevention.

Ten leading British firms are taking part in the scheme, in which discounts of between 5 and 15 per cent could be offered in return for measures which help to curb break-ins.

One of the research findings under discussion at the semi-

nar today, attended by representatives from the police, TUC, local and central government, commerce and insurance, will be a Home Office report showing that burglars are deterred if householders take steps to protect their homes.

The research shows that in a study of burglary an estimated two fifths of all cases, put at 900,000 in England and Wales, were unsuccessful attempts. At least half the attempts failed because householders had installed locks or other devices.

Tribute for Air India victims

More than a hundred relatives of those who perished in the Air India jumbo jet disaster off the south coast of Ireland last June are to attend a special ceremony today to mark its first anniversary.

The relatives, many of them children, have arrived at Cork from Canada and India for the ceremony, during which a memorial will be unveiled.

The three foreign ministers of Ireland, India and Canada will be among the dignitaries who will gather at Dunmanus Bay in west Cork tomorrow.

Poor and jobless 'getting no advice'

By Patricia Clough

The number of people struggling with debt, poverty and joblessness is mounting rapidly and many are not getting the advice they need, the National Consumer Council says.

In a report published today, the council calls for a bigger network of advice centres based in each neighbourhood to provide advice and practical help on money, social security, housing, fuel, consumer questions, employment and family matters.

It also calls for specialized services, such as representation in courts and tribunals, debt negotiation and independent public health inspection.

Mobile advice centres, persons who can be contacted in each village and telephone advice services are recommended for rural areas which, the report says, are served badly.

In spite of the best efforts, it says, the services provided by agencies such as the citizens' advice bureaux, law centres and money advice centres have improved little in the 10 years since the council first criticized them.

"The escalating despair of people in debt, the endless strain of unemployment and job-hunting while struggling to make ends meet on a low income and the repercussions of marriage break-up are problems of human misery that advice workers are having to deal with more and more," Mr Michael Montague, the council chairman, said.

The report recommended that there should be a minimum of one advice worker for every 4,000 people, one legal and one money advice worker for every 12,500 people and one consumer advice worker and one housing worker for every 30,000 people.

HOW TWO BUCKETS, A RUBBER BALL AND SOME STRING GOT ERIC MURRAY HIS HOME BACK.

"It was February last year when I fell over. I've got arthritis, you see, and it's difficult to bend down. I dropped a tin of beans and fell trying to pick it up. Of course, then I couldn't get up. It was just me and the beans, stuck there on the floor."



In Britain, 189,000 old people can't get in and out of bed without help. 695,000 can't cope with stairs. 1,056,000 can't walk without help. One household in seven is inhabited by an old person living alone.

Except that they were able to help further. By wrapping string round it to thicken the handle, Eric can now hold a saucepan so he can eat hot food again.

The consequences of frailty can be devastating to the old. A five inch kerbstone; turning a key; a patch of uneven ground; the ability to manage everyday obstacles like these can easily make the difference between living at home, or not.

Help the Aged funds Day Hospitals where people like Eric can receive the individual therapy to give them the ability and the confidence to retain their precious independence.

After treatment to improve balance and co-ordination, including practice in bending down and picking the ball from one bucket to another, he was confident enough to go home.

ALTHOUGH THIS IS A CASE HISTORY, THE NAME HAS BEEN CHANGED TO PROTECT PRIVACY.

The entire quality of life for millions of old people depends upon simple, practical measures like those the Day Hospital provides.

In addition Help the Aged supports Day Centres, helps fund minibuses, provides emergency alarm systems and supports hundreds of other projects to combat the loneliness, isolation and frailty that so many people suffer, just because they're old.

To find out more about our work, or to send a donation, please write to: Help the Aged, Freepost T5A, 1 St. James's Walk, London EC1B 1BD.

Help the Aged

Photo: Neil Turner/Pressphoto

London Underground Boom is bad for passengers

By Michael Bailey, Transport Editor

Passengers on London Underground are experiencing unprecedented disruption as a result of booming traffic and a record rebuilding programme at central London stations.

Dozens of lifts and escalators are out of service while modernization work proceeds and passengers are being forced to make diversions to reach their station or train.

Long traffic queues are building up at the busiest stations at peak hours as passengers are channelled into

the remaining corridors and lifts.

The problem is exacerbated by record passenger flows.

Passenger journeys on the Underground last year reached a peak at 762 million compared with 672 million the year before. This success is putting severe pressure on both trains and stations.

As a result, London Underground is expected to seek government approval for an extra £40 million for new trains by 1988, and meanwhile

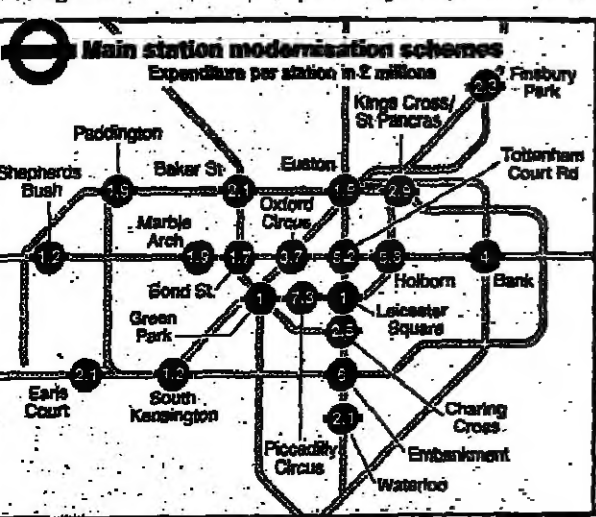
press back into service pre-war trains withdrawn from the Bakerloo Line last year.

At the same time the programme to modernize nearly 100 stations, about half London Underground's total network, is at its peak, with considerable works under way in central London at Oxford Circus, Piccadilly Circus, Tottenham Court Road, Marble Arch, Waterloo, and many others.

Biggest disruption is at Holborn and Embankment, both of which are getting new escalators as well as platform refurbishment. At the latter, passengers for the Bakerloo Line must go via the Northern Line platform, and then walk nearly 100 yards along the platform because a short-cut passage is also closed. Normally an escalator would take them straight down.

"The problem is how to keep people moving so much is being done that it is difficult to find alternative routes," London Underground says.

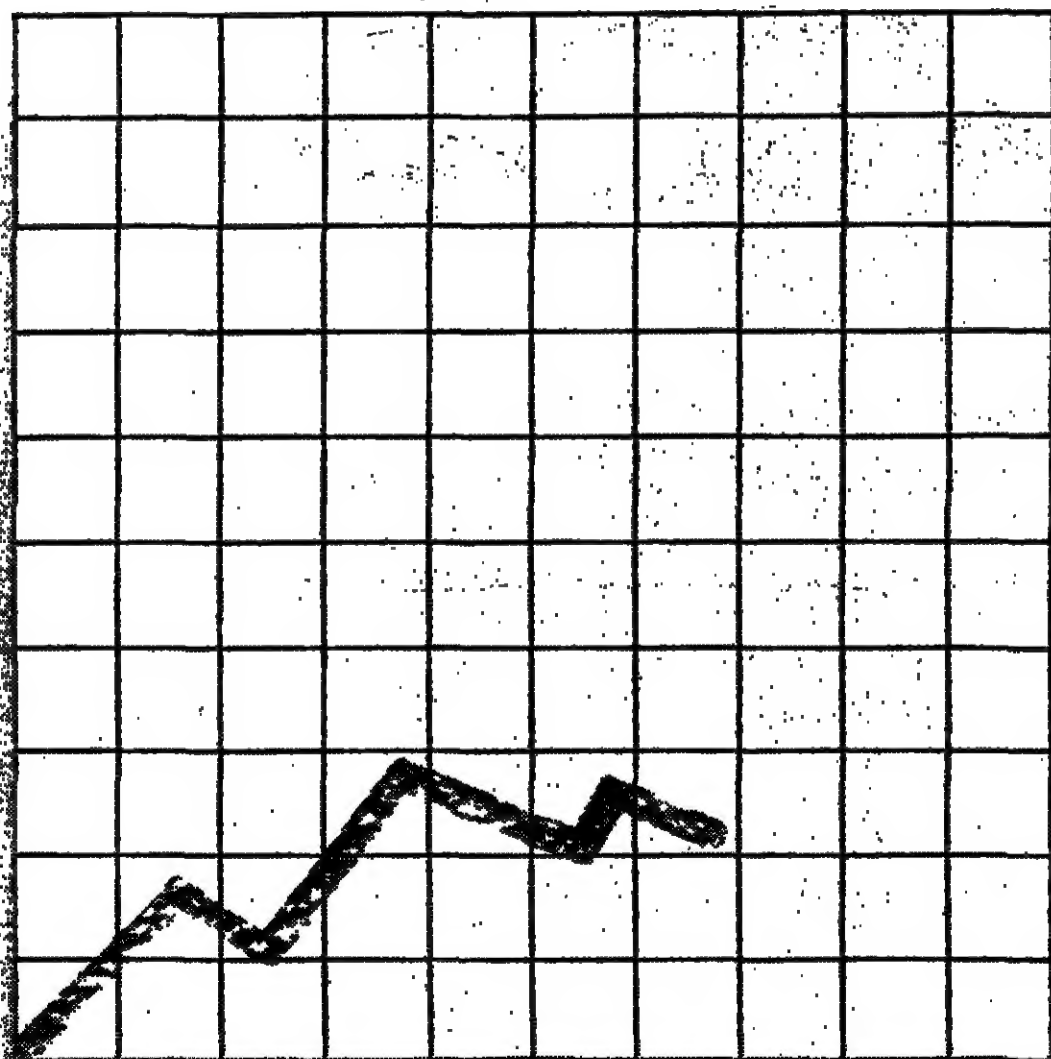
"We are asking our passengers to put up with a lot of inconvenience during this work," Dr Tony Ridley, managing director of the Underground, says.



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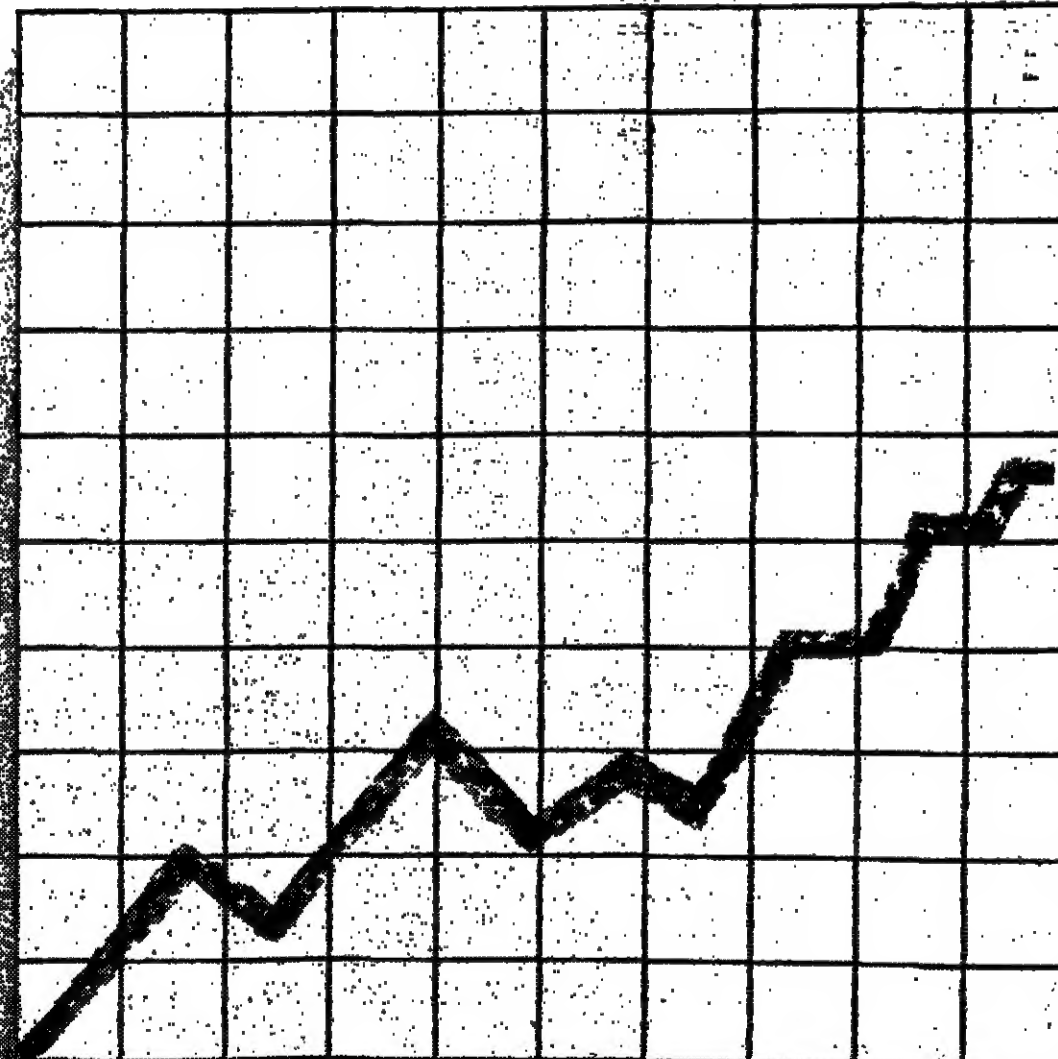


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البريد الإلكتروني

District councils resist report urging more powers for ombudsmen

By Hugh Clayton, Environment Correspondent

The Association of District Councils yesterday strongly opposed the extra powers for local ombudsmen proposed by the Widdicombe committee into the conduct of local government.

Mr John Morgan, chairman of the Conservative-dominated association, said: "We believe that the present system is tight and that democracy is working."

"We believe we should not have more burdensome and cumbersome procedures. As an association we think there is too much legislation. We are over-governed."

The Widdicombe proposals came after strong pressure by the ombudsmen to obtain greater powers of intervention to remedy local government maladministration.

The most that an ombudsman can do if a council refuses to set right an injustice is to write a report.

The Widdicombe committee backed suggestions that ombudsmen should be able to start their own investigations instead of having to wait to be called in by councillors.

The committee also said there was evidence of "a very

Turnout at local polls about 40%

Council elections attract about 40 per cent of voters, or about half as many as parliamentary general elections, according to the Widdicombe inquiry.

Council election turnouts rose to parliamentary levels in 1979, but only because voting for council and general election candidates took place at the same time.

People aged 55 or more were found to be almost twice as likely to vote in council elections than those aged under 35.

Of those who bothered to vote, only about half knew the names of their local councillors and which parties ran them.

strong middle-class bias among complainants."

The committee called for a government review of calls for the abolition of the "representative bodies" groups of English and Welsh councillors formed to comment on the work of ombudsmen.

The bodies have opposed many of the extra powers, rejected last year by the Government, which are now in-

cluded in the Widdicombe proposals.

Mr Morgan, who is Conservative leader of Test Valley District Council, Hampshire, said that only a very small minority of councils refused to abide by the verdicts of local ombudsmen and that the proportion had fallen in recent years.

"We believe that democracy should rest with the elected members of the council. In the majority of cases the council readily agrees with the ombudsman, and if there has been maladministration it compensates the person concerned."

The association, which represents more than 300 English and Welsh councils, supported the controversial Widdicombe plan to bar the most senior council officers from standing as councillors in neighbouring authorities.

Mr Morgan said: "We know of abuses where people have been full-time councillors and have been paid by councils of the same political persuasion."

"If you want to serve the council, I think you have got to decide how you want to serve it. Democracy has got to be seen to be done."



Miss Annabelle Croft (left), ranked Britain's No 1, with her sister, Louise, at Hurlingham yesterday for an exhibition match on the eve of Wimbledon (Photograph: Tim Bishop).

Detecting heart defects in unborn

Science report

Norwegian researchers say they have developed a sophisticated ultrasound scanner capable of detecting defects in the hearts of unborn infants.

The scanner, a refinement of ultrasound technology, makes a much sharper picture of a foetus, making possible for the first time pre-natal

detection and medical treatment of heart abnormalities, the most common birth defect.

It makes a high-definition colour picture of internal or-

gans by recording sound waves beamed into the body, avoiding diagnostic surgery.

Professor Bjørn Angelsen, the research leader, said: "The device also greatly improved pre-operative diagnosis of internal disorders in adult pa-

Police act to curb boat theft gangs

By Michael Horsnell

Police forces along the south coast are setting up an intelligence network to combat a growth in marine theft which last year netted organized gangs more than £1 million.

Contacts with police in France, where many stolen small craft and equipment are taken, are also to be strengthened.

At the centre of a police operation to reduce theft from yachting marinas, which have burgeoned in the years of the leisure boom, is the 200 miles of coastline, including the Isle of Wight, patrolled by Hampshire police.

About £500,000 of small craft and £480,000 of equipment, including outdoor motors, navigation and electronic equipment, and depth sounders, has been stolen in the past 12 months from the 10,000 boats which moor in what is the most popular and affluent sailing playground in Britain.

Police have launched Operation Boatwatch, designed to help boat owners to protect themselves and their neighbours in a summer-long operation.

The equivalent at sea of a neighbourhood watch scheme, the operation requests owners to organize special watch patrols and participate in a "log book" identity card scheme listing serial numbers of their equipment to help in the recovery of stolen boats and equipment.

A police spokesman said:

"There is a large number of expensive boats moored along our coastline and river estuaries and all kinds of boats and accessories are being stolen. We are asking people to help themselves and their neighbours."

The Hampshire police launch, Ashburton, is to increase waterborne surveillance. Police in Devon, Dorset and Sussex are taking part in the intelligence interchange aimed at tracking down organized gangs of "pirates".

The multi-million pound flotilla of small boats along the Dorset coast is particularly vulnerable at Poole Harbour where the police launch, Alarm, has been hard pressed to control marine theft.

Nearly £80,000 in property has been stolen from the harbour so far this year although of 27 boats stolen 12 have been recovered.

Dorset police have updated their boatwatch scheme and also introduced an identity card.

Chief Inspector Michael Hooper, Devon and Cornwall crime prevention co-ordinator, said: "There have been meetings with harbour masters and we are encouraging the co-operation of boat owners."

Police in Devon have set up a central monitoring system at Exeter for marine theft. This year alone about £84,000 of boats and equipment has been reported stolen.

Most crops late after wet spring

Continued from page 1

looking good, partly due to the increasing use of protective plastic sheeting. Main crops are also said to be coming on well and will appreciate the continuing underlying ground moisture.

A Lancashire man says he had to reseed much of his sugar beet as a result of wind damage, and from the other side of the Pennines a grower in North Yorkshire also reports problems with dust blowing on light, sandy soils.

Planting in most areas was delayed by wet weather, but germination appears to have been generally satisfactory.

The practical difficulties of a wet spring are typified by a farmer in West Wales, who remarks that every operation had to be "snatched" when the weather permitted. "It was no good leaving something until the next day."

First cuts of grass for silage were in many places delayed by a month or more, but they proved to be very heavy and good.

"Most silage pits have been filled," a report from Cornwall. "Winter fodder should be no problem this year."

In Dumfries and Galloway silage making is now said to be in full swing after a late start.

but a correspondent reports that milk production in the area is running well below quota. "A frustrating year to date," he writes. According to a Scottish colleague further north in Strathclyde, some dairy farmers have been unable to graze their cattle on the abnormally wet land or else have seen it badly "pouched" by the animals' hooves.

A Warwickshire grower says that the winter has been a disaster for so called alternative crops. "I have grown rape and winter beans for 12 years and have never had to replant before," he complains.

But a Suffolk colleague found that his field beans had come through "remarkably well" and that linseed was looking more promising than last year. Winter and spring oat crops are now "roaring ahead."

From the fruit growing area of Worcestershire comes encouraging news of a late, but very promising, strawberry crop, while cider orchards have blossomed very heavily with a good set.

In the tables below, a rating of 100 represents healthy conditions, full growth and freedom from injury. Key: W (wheat), B (barley), O (oilseed), P (potatoes), S (sugar beet) and G (grass).

1986: a bitter harvest

DIVISION 1	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
BEDFORD	83	80	75	80	80	78
CAMBRIDGE	88	91	85	88	88	93
ESSEX	95	97	90	88	92	97
HERTFORD	92	88	90	92	92	90
HUNTS	85	77	75	70	70	85
LINCOLNSHIRE	90	87	80	88	83	85
NORFOLK	88	88	73	80	83	87
SUFFOLK	87	85	81	85	77	92
AVERAGES	88	87	81	84	84	90

DIVISION 2	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
BERKSHIRE	98	92	87	90	—	97
BUCKS	83	85	68	—	—	—
HAMPSHIRE	70	77	—	80	—	90
KENT	92	89	89	90	—	93
LEICESTER	88	88	89	—	—	91
NORTHANTS	100	100	70	70	80	95
OXFORD	98	95	88	88	—	91
SURREY	78	78	72	55	—	81
SUSSEX	85	90	—	—	—	95
WARWICK	92	95	90	85	—	—
AVERAGES	88	90	78	80	80	92

DIVISION 3	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
CORNWALL	95	94	88	88	—	100
DEVON	90	79	80	80	—	90
DORSET	98	91	80	85	—	95
GLOUCS	88	85	88	84	95	93
HER & WORC	83	83	88	84	95	93
SALOP	88	85	75	79	55	82
SOMERSET	93	91	68	88	95	93
WILTSHIRE	84	83	78	80	—	88
AVERAGES	91	88	78	81	82	92

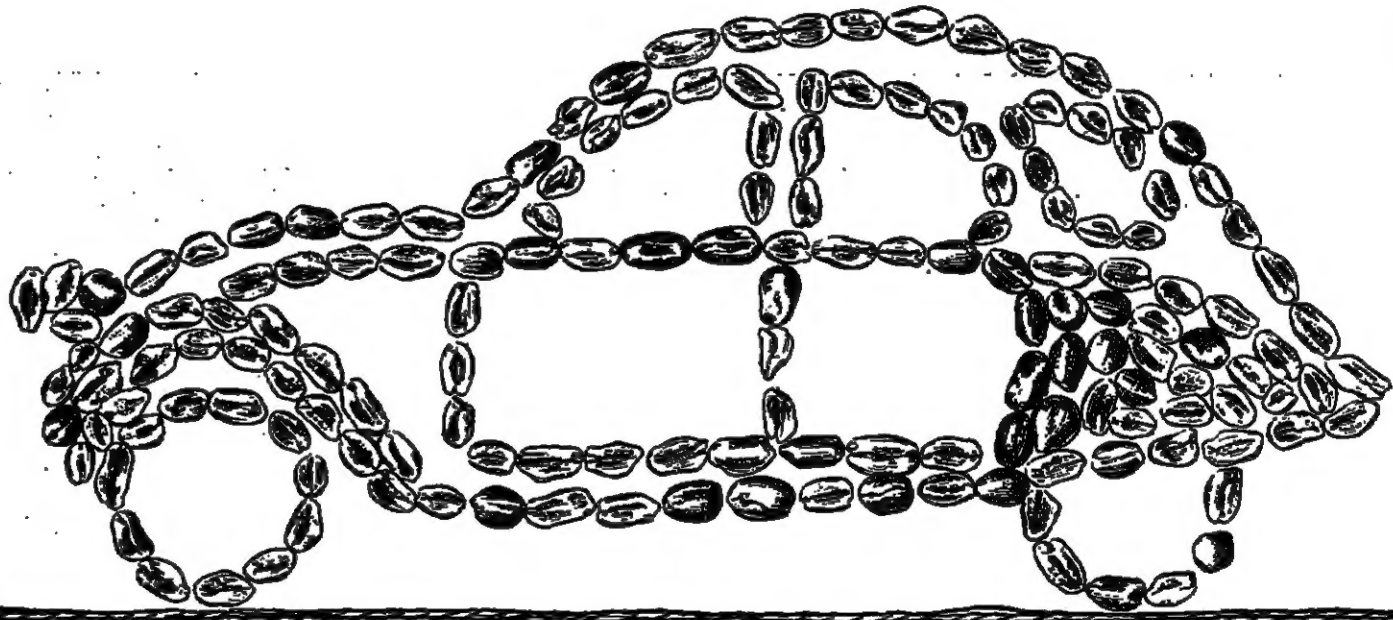
DIVISION 4	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
CHESHIRE	88	85	—	83	—	85
CUMBRIA	80	88	—	80	—	88
DERBYSHIRE	95	90	—	—	—	85
DURHAM	84	95	—	—	—	85
LANCASHIRE	95	75	75	70	70	75
NTYUM'LAND	95	80	98	93	—	95
STAFFSHIRE	90	88	88	83	75	80
YORKSHIRE	91	85	90	77	74	77
AVERAGES	92	87	88	88	73	84

ENGLISH	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
ENGLISH	90	88	80	82	80	90

SCOTLAND	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
BORDERS	—	85	—	90	—	95
CENTRAL	—	90	—	90	—	94
DUMF & GLWY	—	—	—	—	—	—
RIPE	94	92	95	—	—	—
GRAMPIAN	—	—	—	—	—	—
HIGHLAND	97	93	97	96	—	95
LOTHIAN	—	—	—	—	—	—
ORKNEY	—	—	—	—	—	—
SHEPHERD	85	70	80	—	—	80
STRATHLYD	97	95	95	90	—	90
TAYSIDE	—	—	—	—	—	—
WEST ISLES	—	—	—	—	—	—
AVERAGES	93	88	92	92	—	91

WALES	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
CLWYD	96	82	—	94	—	94
DYFED	92	82	—	94	—	95
GWYNEDD	90	82	—	80	—	95
M GLAMRGN	90	90	80	80	—	90
POWYS	82	91	89	88	—	88
S GLAMRGN	100	90	70	90	—	85
W GLAMRGN	—	—	—	—	—	—
AVERAGES	93	88	78	88	—	89

GREAT BRITAIN	Wheat	Barley	Oilseed rape	Potato	Sugar Beet	Grass
GREAT BRITAIN	89	86	79	83	80	92



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	36 EQUAL MONTHLY REPAYMENTS OF £15.55
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	WEEKLY EQUIVALENT £14.88
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Professors seek £100m to halt the decline in British research

By Sheila Ginn, Political Staff

The decline in British science may now be irreversible because Britain had lost the lead in many areas of research forever, a group of eminent professors have said.

The Save British Science organization, in evidence going to a House of Lords committee this week, has described "the crisis" facing scientific research because of lack of money and the escalating "brain drain" of the country's best scientists.

It urges the Government to give £100 million emergency help to restore confidence before more areas of vital research go abroad.

Since it was launched with an advertisement in *The Times* thousands of scientists have joined the Save British Science campaign. It now has the support of more than 100 fellows of the Royal Society, including 11 Nobel laureates

and many vice-chancellors and presidents of learned societies.

"While the scale of the response has justified our original initiative, it has left us more concerned," the group says.

It quotes numerous examples of British-born scientists who had "voted with their feet" and gone to the United States and other European countries.

"A country which falls behind will lose its best scientists, will be discounted as a worthwhile collaborator in international projects, its young scientists will not be trained in the latest methods of science, and its industry will be unable to compete with those of other countries investing."

Britain had now lost the best of its scientists in the 30-45 age group in some subjects. The group was critical of the

Government's policy of supporting research only when there were "perceived economic benefits".

"We will not comment here on the lack of wisdom in such a narrowly short-sighted view of its responsibilities for basic and long-term research, but instead consider whether the Government's practice of reducing the resources it makes available for civil research is having the desired effect of strengthening support for research with economic potential. On the experience of our correspondents, it is not."

The group has passed on to the Lords' committee the experiences of many scientists. For example, the department of zoology at Edinburgh University, reported a 50 per cent drop in research staff and no staff remained under the age of 35.

Bumper BBC coverage of Games

The BBC will mount its biggest outside broadcast next month to bring coverage of the Commonwealth Games in Edinburgh to nearly one billion people around the world.

The operation has cost £14 million and will provide about 120 hours of television

and 100 hours of radio for athletics devotees in Britain.

The BBC will be providing coverage and facilities to 60 countries.

The facilities include seven television studios and 11 radio studios linked by 40 miles of cable and 700 circuits.

Mr "This is the first time we have acted as a host broadcaster," Mr Brendan Slamin, BBC project director for the games, said.

For the purpose the corporation will be taking 1,000 broadcasters to Edinburgh to provide 450 hours of coverage

Hippies on bail leave county in peace

By Craig Seton

Hippies arrested during the police operation to protect Stonehenge over the weekend appeared yesterday to have obeyed bail conditions imposed by magistrates that they should leave Wiltshire.

Two hundred and ten members of a hippie convoy were arrested on Friday after they were evicted from a farmer's land and refused to disperse in smaller groups.

When the first of them appeared before courts in Salisbury and Swindon on Saturday magistrates said they would be granted bail on condition that they left the county by midnight.

Yesterday Wiltshire police said: "There have been no arrests for breaches of bail conditions."

The ancient monument was closed to the public from Friday morning. About fifty members of the Secular Order of Druids and nearly 200 other people were allowed on to the road alongside Stonehenge at dawn on Saturday to take part in a summer solstice festival.

© The Glastonbury festival in Somerset, Europe's biggest open air pop festival, will be scrapped next year, because it is too popular. Police estimate that up to 100,000 people massed at the site yesterday, breaking all crowd limits and causing traffic chaos.



Face painting yesterday at the Pilton festival, the future of which is in the balance because of crowd restrictions.

House prices: 1

Black patches in the boom picture

House prices have been rising dramatically in recent weeks, especially in London and the South-east. Average increases, however, conceal wide variations and *Chartered Surveyors' Property Correspondent* looks behind the averages and explains the reasons for the boom.

In many parts of Britain, notably in areas of high unemployment, there are home owners who know nothing about the present housing boom. For them there is little hope of making a large profit by selling their house, and they are doing well if their house value rises by as much as general inflation.

Elsewhere there are those who have never known it so good, as the latest Halifax house price survey shows. Between May and June, the annual increase jumped from 10 per cent to 11 per cent, with house price inflation running at more than three times the retail price inflation.

With the average price of secondhand houses now at £37,080, 11.3 per cent higher than a year ago, and the average price paid by first-time buyers of £27,770, 10.2 per cent up, there are clearly areas where the increase is greater and where other regions can manage little more than 3 or 4 per cent increases.

In the Royal Institution of Chartered Surveyors' June survey, Bryon and Granger, of York, report buyers bidding prices up by as much as 20 per cent because of the shortage of good property. In Derby, Richardson and Linnell describe the market as "buoyant" but say that prices seem likely to remain in line with or slightly above the rate of inflation.

The main boom is in London and the South-east, where according to the Halifax, prices in greater London are more than 20 per cent higher than a year ago, with an average of £59,400, and 16.1 per cent higher in the South-east with an average of £53,300.

In the prosperous Surrey commuter belt, Mann and Company illustrates the increases with specific examples. In Ashley Park Road, Walton-on-Thames, a five-bedroom, 1930s Tudor house sold for about £265,000 a year ago and is now on the market for £335,000, and a six-bedroom Elizabethan manor house at South Holmwood, near Dorking has increased in the year from £360,000 to £435,000.

Down the scale to the Goldsmith Park estate at Woking, a two-bedroom house last year valued at £39,250 is now for sale at £47,950, while a three-bedroom semi has increased from £48,950 to £58,950, and a

four-bedroom detached house costing £71,500 last June was recently put on the market at £82,500 and is under offer at £80,000.

In the fashionable parts of London, the increases are larger. Winkworths, with offices throughout the capital, point to Fulham in southwest London, where a three-bedroom semi-detached house in St Dionis Road last June fetched £110,000—considered a high price then—and a similar house next door is now on the market for £142,000.

Pimlico, in the city's south-west, is another booming area, where a four-storey, modernised house in Alderney Street has increased from £158,000 last September to £220,000.

In Tachbrook Street, a maisonette with two bedrooms and two reception rooms went from £95,000 last July to £142,000 in May, and a one-bedroom flat in Cambridge Street increased from £52,000 in February 1985 to £63,500 in January 1986, and—now remodelled—to £79,000 in May.

Savills' buyers guide shows that one would expect to pay £100,000 for a one-bedroom flat in Chelsea, Kensington or Holland Park compared with £80,000 a year ago, £285,000 for an average three-bed cottage in Chelsea compared with £250,000 a year ago, and £425,000 for an average 3/4-bedroom house in Kensington or Chelsea compared with £325,000—a 30 per cent increase.

At that upper end of the market, Victoria Mitchell, of Savills, explains that the sustained increase over the past four years has been due to the influx of overseas buyers because of the apparent social stability of the UK and the weak pound of 1984-85.

Generally, the late start to the spring house-buying merry-go-round because of the long winter has concentrated buying and selling into a short period, making the increases more obvious.

The reduction in mortgage interest rates and the increasing number of institutions wanting to lend money has accelerated the merry-go-round, and with salaries continuing to outstrip inflation, buyers are still trying to jump on it. It could be dangerous.

Tomorrow: Can the boom last?

Sale room

Dealer's £1.7 million gamble on Mantegna

By Geraldine Norman, Sale Room Correspondent

An unnamed European art dealer took a £1.7 million gamble in Monte Carlo on Saturday night when he acquired a painting of the "Holy Family" attributed to Mantegna at Sotheby's sale.

The painting, hitherto unknown, belonged to a family from Marseilles. It was painted in tempera on linen, perhaps about 1495, but had been heavily overpainted in oils in later centuries.

The new owner will have the privilege of removing the overpaint and discovering how much of the original tempera survives below. He will then need to canvass scholars' opinions as to whether it is by the great Renaissance master himself or merely from his school.

Sotheby's attributed the picture to Mantegna himself, but there have been many doubters. If the picture turns out to be in a good state and the attribution is generally accepted, the owner could find himself with a painting worth more than £5 million.

Another Mantegna "Holy Family", also painted in tempera on linen and not in perfect condition, became the most expensive painting ever sold at auction when the Getty Museum paid £8.1 million at Christie's last year. A price of this order might be achievable, although a tempera painting

which has had oil overpaint cleaned off will never look as good as new.

Sotheby's was well aware that the purchase of the painting in its present state was a gamble. It had published a detailed condition report by Herbert Lank, the leading London restorer, at the back of the catalogue. Sotheby's Saturday evening sale made £34 million with 8 per cent unsold. A sale of more routine pictures yesterday proved more difficult with 51 per cent unsold and total receipts of £489,742.

The other star of the sale was a Dutch interior, "The Doctor's Visit", by Frans van Mieris, with a young woman in a fur jacket and satin skirt slumped in the foreground while a mournful doctor holds her urine sample to the light. It is a favourite subject with Dutch painters. This Mieris, of which there are many inferior versions, sold to an American dealer for £330,419, a new auction price record for the artist.

Two French provincial mansions were among the purchases. Marly spent £47,998 on a dog with his eye on a pheasant and a portrait by Desportes. It is believed to have been commissioned for Louis XV's own rooms at the Chateau de Petit-Bourg. Marseilles secured a "Virgin and Child" by Mignard at £45,433.

Cricketers helped by Getty

Mr John Paul Getty II, the American multi-millionaire philanthropist, has given £5,000 to help a small Yorkshire cricket club.

Officials at Sowerby Bridge cricket club which plays in the Halifax League wrote to Mr Getty after their pavilion was burnt down last October.

Mr Leyland Smith, the club chairman, said yesterday: "Out of the blue we received a letter from one of his representatives saying he had been distressed to hear what had happened."

The new pavilion, which cost £60,000, opens on Sunday.

Cafe gets an Italian knight

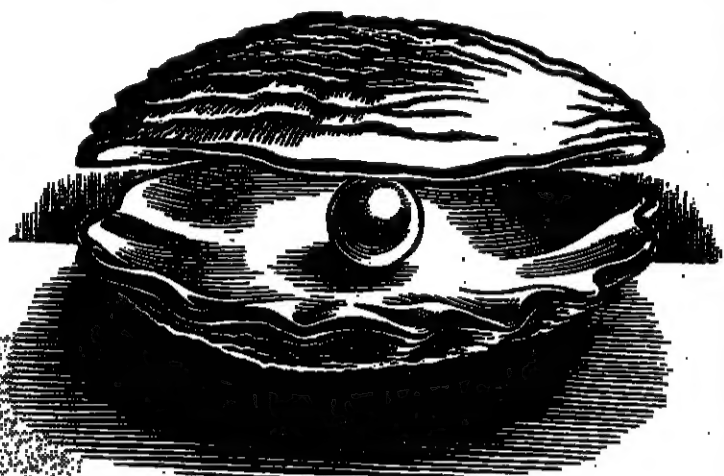
Customers at Tony Viazzani's cafe are in for a special treat, because their meals are to be served by an Italian knight.

Mr Viazzani, aged 62, has been knighted by the Italian president after a lifetime raising thousands of pounds for local and Italian charities.

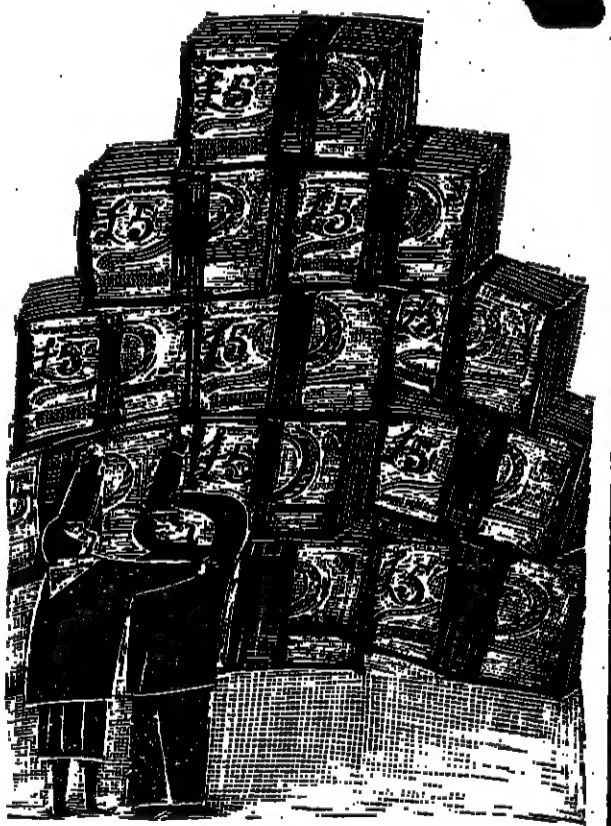
In spite of his honour, customers at his Station Cafe in Merthyr Tydfil, Mid Glamorgan, will not have to address him by his official title.

"They can just carry on calling me Tony—but I bet they've never been served by an Italian knight before," he said.

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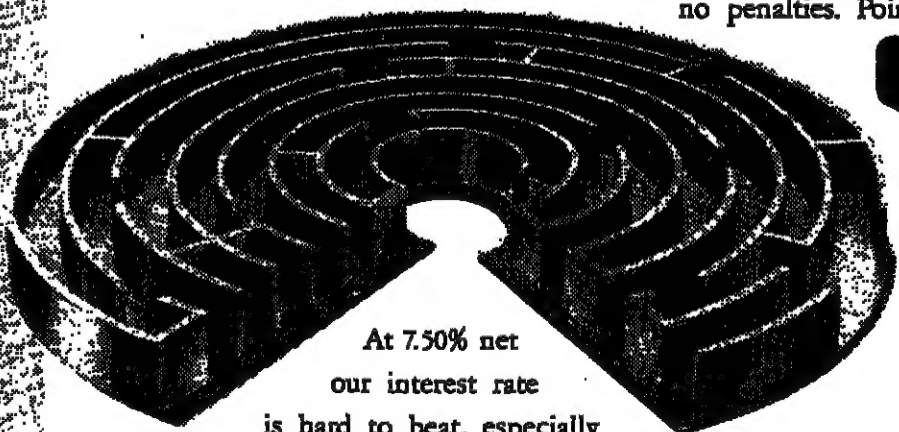


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The Royal Bank of Scotland

Full terms and conditions will be sent upon receipt of this completed application form. Interest rate variable but correct at time of going to press.

By Michael Horspell

The report says: "Invoking the great names of education

Dr Eamonn Butler, director of the institute, told *The Times*: "We think it is an idea whose time has come and that some debate is appropriate. We need to look at what libraries are there for

Mr Mark Le Fanu, general secretary of the Society of Authors, added: "Perhaps more than free entry to museums, the free lending of books should be sacrosanct."



Any of the 2,200 nurses involved who decided to defy the order to go bare-headed would be supported all the way, a college spokesman in London said. "There is no

In spite of warnings to nurses and students that they will be disciplined if they ignore the regulations, a

The logical extension of that, they say, would be for nurses "to carry out their duties in the nude."

"New and effective legislation is long overdue, for the situation is now very different from that which pertained at the time of the passing of the 1959 Obscene Publications Act. The grossly violent and perverted material which is now so widely available was unknown then."

Dr James C. Dobson, a member of the US commission, supported Mrs Whitehouse's view that sex films and magazines had become a great deal more explicit and violent in recent years, by listing in the report a range of sado-masochistic activities found depicted in adult book

By a Staff Reporter

Dr Gibson argues that to suggest everyone should speak in standard English is a form of unintentional racism and that English should be taught as a second language.

Stress, which reveals itself in low self-esteem, depression and anti-social behaviour, is regarded as another big cause of the educational difficulties endured by West Indians.

By Bill Johnstone

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Scathing attack on South Africa

Waite defies Botha and broadcasts name of jailed black bishop

By Nicholas Beeson

Mr Terry Waite launched a scathing attack on the South African Government yesterday, breaking the new emergency laws and claiming he was "fobbed off" by the authorities during his visit.

Speaking by telephone in a BBC radio interview from Johannesburg before his return to London today, the Archbishop of Canterbury's special envoy said he knew his conversation was being monitored, but nonetheless broke an emergency regulation by naming the detained Suffragan Bishop of Johannesburg, Sigismund Nowandwe.

The way the black and Coloured community here are being treated is nothing short of disgraceful. This system of government is a total sham... This country is in the very strong grip of the security forces.

Mr Waite, who was on a fact-finding mission for the Archbishop of Canterbury, described how he had accompanied the wife and son of the detained bishop to the prison where he was being held, but said security forces refused to let them see the cleric.

"He was detained for absolutely nothing and the world should know that," said Mr Waite. The arrest was a cause for "international concern" and the sooner the world was

Dutchman held

Father Jan Bosman, a Dutch Roman Catholic clergyman, has been arrested by South African police under the state of emergency there, Dutch television reported yesterday (AP reports from Amsterdam).

given information about the matter the better.

At one stage Mr Waite was briefly cut off when the line went dead.

When contact was restored, the interviewer asked if he realized he had broken the law and could face arrest. Mr Waite said: "I am perfectly prepared to face the consequences."

"Absolute power corrupts absolutely, and at the heart of this system there is an evil which must be combated."

In another development, Cape Town residents and church organizations who spoke by telephone to *The Times* in London said there could be violence today when security forces round up thousands of homeless blacks from the Crossroads squatter camp for forced resettlement in a township 20 miles from Cape Town.

Crossroads is to be redeveloped as black housing

for a smaller number of people, mostly conservative blacks who were involved, allegedly with the support of agents of the state, in burning down the shacks of other residents in recent fighting.

Most of the refugees have since been sleeping rough, or sought shelter in churches and mosques in townships.

However, following a Government order, they are expected to be evicted by force to the Khayelitsha (New Home) township.

A spokesman for a church group in London said Cape Town clergy had declared they were committed to letting the squatters remain in churches, and that police would have to remove them physically.

The Cape crackdown coincided with reports that the security services were still out in force elsewhere.

A resident of Soweto said yesterday: "The Army is still carrying out numerous armoured patrols through the township and further arrests have been made, although not on the same scale as last week."

"The feeling is that the clampdown on the townships will remain in effect possibly until the end of the year. And the political activists in hiding will have no option but to take action."

Church leaders' arrest condemned

From Michael Hornsby, Johannesburg

Mr Waite, in due back in Britain today after six days in South Africa gathering information for a report to be circulated to Anglican churches worldwide.

"I have come across a great deal of information, most of which I find distressing and distasteful," he told a press conference at the residence of Bishop Desmond Tutu, Anglican Bishop of Johannesburg, on Saturday.

He said he would speak more fully about what he had seen and heard when he was in "a freer atmosphere".

Yesterday Mr Waite and Bishop Tutu spoke at a service in Lenasia, the main Indian

residential area near Johannesburg. The arrest of church leaders, Mr Waite said, could sever the link between the church and the people.

At his press conference, he told how he tried in vain to visit a black Anglican bishop in prison. (Under the emergency regulations it is an offence to give the bishop's name). The authorities had been "totally unco-operative".

It was extremely difficult to get an accurate picture of how many clergy had been detained, he said. It was a question of going to each local community and making inquiries.

Asked about a report in *The Times* of an alleged tear-gas

attack on a church in Kwa-Thema township, near Johannesburg, in which several babies had been killed, Mr Waite said he could not confirm this, but he had been told of many similar incidents in which church-goers had been fired into churches.

Speaking about his visit last week to Crossroads squatter settlement, outside Cape Town, Mr Waite said it was disgraceful that the authorities were evicting refugees from church halls, synagogues, mosques and private homes where they had taken shelter after recent fighting between rival groups in the camp.

Pretoria denies report of attack on church

By Our Foreign Staff

The South African Government yesterday denied a report in *The Times* on Saturday stating that security forces made a tear gas attack on a church in the town of Kwa-Thema on Thursday in which several babies and one child died.

A statement issued by the Bureau for Information on Saturday said:

"According to a report which appeared in *The Times* of London today, South African forces fired tear gas on Thursday into a church in a town near Johannesburg, fatally injuring several babies and causing the death of a child. The paper also said it was impossible to check the account."

"The Bureau for Information, after making extensive inquiries, has established that *The Times* of London report is

devoid of all truth and is, in this instance, a deliberate attempt by *The Times* of London to disseminate inaccurate reports on events occurring in South Africa."

"In addition, *The Times* of London made no attempt to verify this report with the Bureau for Information and neither with Mr Michael Hornsby, local correspondent in South Africa for *The Times* of London."

"This is a clear example of a foreign newspaper that apparently has no interest in reporting factually on incidents taking place in South Africa."

"We get the impression that *The Times* of London, in this instance, does not wish to inform its readers accurately, neither does it wish to check its facts. We reject this piece of deliberate inaccurate reporting."

Dutch bid for EEC package

From Richard Owen, Brussels

The Netherlands is urgently seeking a compromise package of "positive" and "negative" sanctions against South Africa to be adopted by the EEC summit in The Hague, which opens on Thursday.

The summit will mark the end of the Dutch Presidency of the EEC Council of Ministers and the beginning of Britain's six months in charge of EEC affairs. Neither Britain nor the Netherlands wants the summit to run around over the sanctions issue.

EEC officials said Mr Hans van den Broek, the Dutch Foreign Minister, sees "positive" measures as the key to a compromise this week. Mrs Thatcher is known to approve of "positive" measures.

Hu seals link with Italian communists

From Peter Nichols, Rome

The Italian Communists reception at the weekend for Mr Hu Yaobang, the Chinese Communist leader, is seen to seal a new stage in understanding between the two parties.

This result alone would have given significance to Mr Hu's European tour. The warm public embrace which the Chinese leader gave Signor Alessandro Natta, the Italian party secretary, was a sign of a notable identity of views between the heads of the party governing the biggest Communist nation and the biggest party in the West, which has been distinguished by its doctrinal originality.

Relations between the two parties were cold for some 18 years while the Italians were developing their theories on the autonomy due to national parties.

The bad relations ended in 1980 when the late Signor Enrico Berlinguer, then leader of the Italian party, went to Peking to explain his outlook.

Mr Hu several times referred publicly during his stay here to Berlinguer and his thinking.

He is understood to have made clear in private meetings with his Italian Communist hosts on Saturday his belief that Communist parties whether big or small should be "independent and autonomous".

He is spending today, which is his last day in Italy, in Turin as the guest of Signor Giovanni Agnelli, the chairman of Fiat.



Dolores Ibaruri, aged 90, the Spanish Communist "La Pastonara", voting in Madrid yesterday.

Vietnam sacks 7 ministers

Bangkok (Reuters) - Vietnam said yesterday that the Deputy Prime Minister, Mr To Huu, had been replaced and seven economic ministers dismissed.

Radio Hanoi, monitored in Bangkok, said Mr Hu was replaced by Mr Vo Chi Cong. It did not give any reasons for the State Council's decision. Nor did it name any new ministers.

Chile hit by floods and anti-Government protests

Students flout crackdown

Chilean students and other opposition groups have stepped up peaceful assemblies, marches and other activities despite the harsh response by the military Government to their week-long national strike.

For the first time ever, police entered the Roman Catholic university's campus last Wednesday and arrested 80 students.

The next day, nearly 1,000 students staged a peaceful occupation, demanding the resignation of the university's president and an administrator, who called the police and pointed out to them student leaders.

A third-year science student at the University of Chile seemed to speak for many when he said: "It's incredible, but I think this rule of terror is failing. Students are getting used to it. I can't deny that the first time (troops sealed off our campus) we were afraid. But this time we weren't. And next time I think we're going to react strongly."

Police had released him just minutes before this interview, which took place as a line of soldiers in full combat equipment made threatening gestures with their weapons from across the road.

At the end of last week, concern for the safety of seven students being held by Chile's political police, the CNI, fuelled more protests and sparked appeals to foreign embassies to put pressure on the Government for their release.

The mothers of two of the

students were allowed to see their sons for five minutes. They reported that all the students had been tortured, using electric shock. Their sons did not, at first, recognize them, nor did they know the place or time or day. They could not maintain their balance and seemed heavily drugged.

"The only thing they know is that they have to get out of there," one of the mothers told reporters.

The seven were released late on Friday night and then the students turned their attention to a massive campaign to gather clothes, dry goods and building materials for people affected by recent military operations and floods.

Record rainfalls and heavy flooding have cut the water supply to half of Santiago's four million people and given added impetus to the opposition activities.

Problems began simultaneously with the students' strike on June 16, when the waters of the Maipo River washed away 200ft of the concrete conduit which fed Santiago's most important water purification plant.

Floods also cut transportation to the south of Chile. The train service was partly restored on Saturday, with ferries used where bridges had been washed away.

An estimated 40,000 people in the Central Valley region have lost their homes. At least 18 people have died and another 75 have disappeared as a result of the storms.

Much of what little water is

available is of poor quality, and authorities recommend boiling it for 10 to 20 minutes, but widespread poverty has made this a difficult recommendation to carry out.

Leaders of Chile's National Medical Association have criticized the Government's handling of the crisis and warned that 1.4 million people face "catastrophic" sanitary conditions.

Dr Haydee Lopez, a public health specialist and consultant to the World Health Organization, said that if the Government does not undertake a massive vaccination programme there could be serious outbreaks of typhoid fever and viral hepatitis.

On Friday, President Pinochet declared a state of catastrophe in Santiago and two other regions, but the Public Works Minister, General Bruno Siebert, said that it would be at least four months before the water supply returned to normal.

In the meantime, schools have been closed and special trucks are supplying hospitals with water. Many hospitals have sent some patients. Restaurants, however, continue to function without a reliable water supply.

At the weekend, the Roman Catholic Church and the National Assembly of Civil Society (Chile's largest opposition coalition) collected clothing, dry goods and building materials which they distributed to the floods and last month's military police raids.



Luciano Pavarotti, the Italian opera singer, is greeted with a bouquet of flowers on his arrival at Peking airport yesterday and responds with a kiss for the girl who welcomed him to China.

Police quiz holiday bus driver

From Harry Debelius, Tarragona

The driver of a holiday coach which crashed near here, killing three Britons, remained in his Tarragona home yesterday after being questioned by an investigating magistrate about police allegations that he had rested only one and a half hours in the 19 hours before the accident.

A representative of the Portland-Thomson travel agency in nearby Salou, which sent the bus to bring British holidaymakers more than 120 miles from Girona airport to hotels in this area, denied that the driver, Señor Esteban Gracia, aged 33, had been driving longer than he should have, and showed a reporter a pencilled dispatch sheet to support his argument.

The three who died have been named as Mr Albert Wood, aged 62, of Headington, Oxford, and Mr Wilfred Davies and his wife Valerie, both aged 56, of Enfield, Middlesex. Their bodies were expected to be flown back to Britain yesterday, according to a British consular representative.

Still serious yesterday were Mrs Helen Mitchell, aged 23, and her husband Jeff, aged 29, Mrs Mary Wood, widow of one of the victims, and Mrs Kay Jones. Also being treated in hospital were Mr G. Ward, Mrs Patricia Haviland and Mrs Isabel Foster.

The collision happened at about 10.45 pm on Friday when the last of two coaches travelling together and carrying 20 passengers, hit a lorry parked on the shoulder of the motorway. Police, who had only a few minutes earlier helped the lorry driver to change a flat tyre, said his vehicle was off the road, properly lit and warning signals had been placed behind it.

The crash ripped out the right side of the coach. Rescuers took four hours to cut away wreckage to release those trapped inside.

Beirut ambassador appeals for release of two Britons

From Juan-Carlos Gennaco, Beirut

Sir John Gray, the British Ambassador to Lebanon, has appealed again for the release of two Britons held hostage by radical groups, which claim to have killed one of the men.

The appeal was made in a statement published yesterday in *L'Orient-Le Jour* newspaper followed a similar call printed by Lebanon's leading daily, *Al-Nahar*, on Saturday.

The Ambassador's message came after two Frenchmen, two Cypriots and nine Lebanese Christians, who had been kidnapped by different groups in mostly-Muslim west Beirut, were freed over the weekend.

On Friday the Revolutionary Justice Organization, believed to be made up of Shia Muslim extremists, released Mr Philippe Rochot and M Georges Hansen, who were abducted with two of their colleagues of France's Antenne-2 TV channel in March.

Mr Stavros Yannaki and Mr Panayiotis Tirkas, Cypriot students kidnapped in west Beirut almost two months ago, were released unexpectedly on Saturday and flown home.

The Cypriot Government described their release as a result of a personal mediation by Mr Yassir Arafat, chairman of the Palestine Liberation Organization.

Nine Lebanese Christians abducted by the Independent Movement for the Release of Civil War Hostages group were also freed.

In yesterday's statement, Sir John called for the release of Mr Alec Collett, aged 64, a writer working for the UN who was kidnapped on March 25 last year, and Mr John McCarthy, aged 30, a journalist from Barret, north London, who was ending his assignment for the London-based World Television Network when he was kidnapped on April 17.

"Their continued detention does not serve any useful purpose," the plea said, and gave two telephone numbers in case the kidnappers wanted to contact the embassy.

None of the underground groups operating freely in west Beirut has claimed responsibility for Mr McCarthy's abduction.

A group calling itself the Revolutionary Organization for Socialist Muslims, which is believed to be linked to the Palestinian Abu Nidal terror group, claimed it had killed Mr Collett in retaliation for Britain's support for the American raid on Libya.

Two other Britons, Mr Philip Padfield and Mr Leigh Douglas, were found shot dead with Peter Kilburn, an American, two days after the US attack. A group called the Arab Revolutionary Cells claimed responsibility for the killings, which, it said, were also carried out to avenge the US attack.

Eight days after the raid, the group claiming to be holding Mr Collett released a video tape purporting to show his body dangling from a gallows, but there was no positive identification.

Tearful return, page 11

Police rescue militant in roadblock protest

From Ian Murray, Jerusalem

The militant chairman of a small committee set up in Jerusalem to campaign against violence by the ultra orthodox community had to be rescued by police on Saturday after provocatively driving his Mercedes into a street unofficially closed off.

The street had been sealed off with rubbish bins during the afternoon of the Sabbath. Mr Abraham Fritz decided to challenge these unofficial road blocks.

As he approached the rubbish bins his car was surrounded by a furious crowd of Hassidim, as the ultra orthodox are called. Mr Fritz got out of his car, drew a pistol and fired warning shots into

Police quiz holiday bus driver

the air but the angry crowd closed in.

A police patrol met with a hail of stones which shattered the windscreen of the Mercedes. The Hassidim told the police they had sealed off the street after a child had been hit by a car.

But there was no evidence of this and a police source said it was possible the real aim was to close off yet another Jerusalem street on the Sabbath in addition to the 40 or more already officially shut off to traffic on that day.

The current tension between Jewish orthodox and secular communities came to a head after his shelters carrying advertising posters of girls in swimsuits were vandalized by ultra religious people, who claim they are "rude".

Swiss to vote on reactors

From Alan McGregor, Geneva

The Swiss socialist party, second grouping in the coalition Government, will launch a new initiative calling for the phasing out of the country's five nuclear power reactors with a halt to further construction.

The start of work at Kaiseraugst, one of two projected plants has been delayed for a decade by local opposition.

The socialist initiative, to be voted on in a national referendum, probably after the end of next year, is the third such move. Referendums in 1979 and 1984 produced a narrow majority for nuclear power which now provides almost 40 per cent of Switzerland's electricity.

The latest opinion poll, commissioned by the *Berner Zeitung*, gave 56.7 per cent for phasing out of the nuclear installations, 41.5 per cent of that being for an early shutdown. Only one third of persons questioned said the nuclear power programme should be continued.

Police used tear gas and water cannons on Saturday to repel about 100 masked demonstrators, hurling stones and petrol bombs, who cut through a barbed wire fence and set alight a store shed at Guggen, the nuclear power station opened in 1979. Several were detained.

Mr SALZBURG: Thousands of Austrian mothers and children left Salzburg yesterday to walk over the Bavarian border and join West Germans in a protest against a planned nuclear waste plant at Wackersdorf, police said (Reuters reports).

Libyans give new names to the months

Paris (AFP) - Libya is to rename the months to refute imperialist cultural alienation, the Libyan news agency Jana reported yesterday.

The new terms, it said, reflected glorious Arab history and the Arab environment, and have been introduced immediately.

The changes include calling July "Nasser", commemorating the coup d'état of July 23, 1952 that brought Nasser to power in Egypt, and calling September "First", commemorating the coup d'état of September 1, 1969, in which Colonel Gaddafi seized power. June is renamed "Summer".

Seven in Ghana plot are executed

Abidjan (Reuters) - Seven people found guilty of plotting to overthrow the Ghanaian leader, Mr Jerry Rawlings, were executed by firing squad yesterday, Accra radio reported.

They were sentenced to death in May and their plea for clemency was turned down this month by the Appeal Court.

The radio, monitored in Abidjan, named them as Godwin Mawuli Kofi Dra-Goka, Yaw Brei Berko, Kyeerene Djan, Samuel Boamah Fanyin and Ahmed Brahim Kankani (all civilians), and two members of the armed forces, Warrant Officer Samuel Charles Larley Aforo and Private Charles Koomson.

The radio said another man, Abubakary Musa, sentenced to death in March in connection with a different plot, had his sentence commuted to life imprisonment. Sergeant Koffi Tsumasi, implicated in the same conspiracy as Musa, had his 15-year sentence reduced to 12 years.

Journalists on hunger strike

Dhaka (Reuters) - About 50 Bangladeshi journalists began an indefinite hunger strike to protest against a move by a publishing house to close its two newspapers following an industrial dispute.

The journalists said their "fast-unto-death" would continue until the owners of *The Bangladesh Observer* and *The Chitrali* settled all wage disputes and scrapped a plan to shut the papers.

Poles detained after rally

Warsaw (Reuters) - Two leading Polish opposition figures were detained by police after attending an unofficial rally marking the 10th anniversary of a strike near Warsaw, eyewitnesses said.

Jacek Kuron, Jan Jozef Lipiński and at least three other people were seen being led into a police station after a church mass and wreath-laying ceremony at a monument commemorating the strike at the Ursus tractor factory 10 years ago on June 25.

Death at 112

Lyon (AFP) - Mme Eugénie Roux, believed to be the oldest Frenchwoman, has died aged 112, the Lyon City Council said.

Paris bomb

Paris (AP) - A small bomb broke windows and caused other minor damage to the French headquarters of the multinational Rothmans cigarette company, but no injuries were reported.

Cabinet quits

Paramaribo, Suriname (AP) - Prime Minister, Mr Wim Udenhout says his Cabinet will resign today in an effort to bring the country's three largest political parties into the Government. A new cabinet is expected to take office on about July 15.

£16m painting

Monte Carlo (Reuters) - A previously unknown painting by the Italian Renaissance master Andrea Mantegna depicting Mary with the baby Christ has been sold to a European art dealer for £16.6 million at auction here.

US attacked

Moscow (AFP) - The Soviet media marked yesterday's 45th anniversary of the Nazi invasion of the Soviet Union with scathing attacks on the US Government and warnings against it seeking to dominate the world.

Dromedairy

Riyadh (AFP) - The first commercial dromedary dairy in the world has been set up here, and initial demand for the camel milk at £1.20 a litre has been good, the Jeddah-based Arab News reported.

£10m winner

Sacramento (UPI) - Paul Donner Spencer, aged 64, a writer who specializes in trivia books and short stories, has won a \$15.22 million (£10) lottery.

Sexism claim

Tel Aviv (Reuters) - Israeli state prosecutors stopped work for an hour in protest against what they called sexist slurs made by members of the Cabinet against three women attorneys involved in an investigation of the Shin Bet security service.

Market blast

Colombo (Reuters) - Security authorities clamped a curfew on the farming district of Kantale in Sri Lanka's eastern province after the death toll from a parcel bomb explosion at the local market rose to two.

Dr. ...

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Seven in Ghana plot are executed

Abidjan (Reuters) - Seven people found guilty of plotting to overthrow the Ghanaian leader Mr Jerry Rawlings were executed by firing squad yesterday. Accra radio reported.

They were sentenced to death in May and their plot was turned down one month by the Appeal Court.

The radio mentioned a list of names: Kofi Doku, Yaw Gbedemah, Kofi Ofori, Samuel Boamah, Ibrahim Koko, and two others. An officer from the army, Lt. Gen. Agyem, was also mentioned.

The radio said another man, Mr. Agyem, was sentenced to death in March in connection with a different plot, but was later commuted to life imprisonment. Sergeant Kofi Ofori was also mentioned as being involved in the plot.

Journalists on hunger strike

Reuters - About 100 journalists began a hunger strike in London yesterday to protest against a move by the House of Commons to strip the press of its right to publish information on the activities of the intelligence services.

The journalists said the "death" would be the end of the press's role as a watchdog and that they would not eat until the government agreed to all points.

Poles detained after rally

Reuters - A group of Polish oppositionists were detained by police in London yesterday after a rally in support of the Solidarity movement.

The rally was held at the London Convention Centre and was attended by about 1,000 people. The police said they were concerned about the safety of the event.

Death at 112

Reuters - A woman aged 112 died in London yesterday.

Paris bomb

Reuters - A bomb exploded in Paris yesterday, killing one person and wounding several others.

Cabinet quits

Reuters - The cabinet of the Prime Minister of the United Kingdom resigned yesterday.

£10m painted

Reuters - A painting worth £10 million was sold yesterday.

US attacked

Reuters - The United States was attacked yesterday.

Dromedair

Reuters - A dromedary was found yesterday.

£10m winner

Reuters - A £10 million lottery winner was announced yesterday.

Sexism class

Reuters - A class on sexism was held yesterday.

Market

Reuters - The market was closed yesterday.

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Clemency hopes fading after tearful reunion on Malaysia death row

From MGG Pillai, Kuala Lumpur

Mrs Sue Chambers spent three hours yesterday morning with her condemned son, John Kevin Chambers, one of two Australians sentenced to death for drug trafficking and soon to mount the gallows of Kuala Lumpur's Padu Prison.

Red-eyed and puffy-faced after the meeting, Mrs Chambers was rushed through the prison's iron gates and into a waiting car, supplied by the Australian High Commission, and whisked away. She told reporters that her son was "brave about it all ... it is very upsetting."

The second Australian on death row, Brian Geoffrey Barlow, was visited by his 17-year-old sister, Michelle. His mother, Mrs Barbara Barlow, was not up to making the visit yesterday and will instead go to the prison this morning.

No date has been set for the execution of British-born Barlow, aged 29, formerly of Trent Vale, Stoke on Trent, and of Chambers, aged 28, of Perth, Western Australia. Government sources, however, say they could be hanged as early as Thursday and any delay will not exceed a fortnight.

The hangings will be the first in Malaysia of Caucasians since the Japanese Occupation in the Second World War.

The two were doomed on Saturday when the Pardons Board in Penang rejected their appeals for clemency and the Governor, Mr Tun Awang Hassan, ordered the sentences to be carried out.

Barlow's lawyer, Mr Karpal Singh, will attempt to ask the Governor today for a stay of execution pending other possible legal measures. But Mr Singh admitted that "barring a miracle the executions will be carried out and soon".

Mrs Barlow is also appealing for clemency to Malaysia's King-elect, Sultan Mahmood Iskandar.

Normally executions are carried out within five days of the Pardons Board's decision, but Malaysian authorities have said reasonable time will be given for the next of kin to come from Australia. However, since they are already here, there may be no need to delay further.

The three women arrived just hours after the Pardons Board's decision, highlighting one aspect of cheque-book

journalism. Their visits were organized and paid for by two Australian television stations and a newspaper and had been kept secret from the rest of the press corps. This has upset local and foreign newsmen alike.

Barlow and Chambers were arrested in November 1983 as they left Penang Airport for Australia with 179 grammes of heroin. They were sentenced to death in August last year and their appeals to the Supreme Court were rejected a few months later.

The Government's reluctance to hang women and whites was overcome three years ago when a 49-year-old grandmother was hanged for drug trafficking. It seems imminent that the Barlow and Chambers' case is about to break the second barrier.

Peer's protest: Lord Gifford, sponsor of the National Council for the Welfare of Prisoners Abroad, said in a statement:

"I am deeply saddened by the taking of life in cases of this kind. I am appalled at the decision on Kevin Barlow in particular because I believe he may well be innocent."

Barlow's family afraid plea will fail

The family of British-born Kevin Barlow, facing a death sentence in Malaysia, yesterday said they expected a last-minute plea for clemency to fail.

Barlow's uncle, Mr Bill Austin, said from his Stoke-on-Trent home that he believed his nephew's fate was sealed as soon as he was arrested.

Mr Austin, aged 36, said he feared the Malaysian authorities had decided at an early stage to make an example of Barlow, aged 28, whether he was guilty or not.

Mr Austin said he had twice telephoned his sister, Mrs Barbara Barlow, since she arrived in the Malaysian capital of Kuala Lumpur to make a last-minute plea for clemency.

Mr Austin said: "It will just fail on deaf ears, I should imagine."

"I just can't see any way the Malaysian authorities will stand back from what they have already decided."

Mr Austin said his sister was extremely shocked to be told of the Parole Board's decision to uphold the death sentence.



A soldier delivers a karate blow to a supporter of the deposed former President Marcos. He had been arrested yesterday during riots which broke out during a rally outside the armed forces military

headquarters in Manila (UPI reports). Five thousand Marcos loyalists, who tried to barricade the street with buses, hurled rocks and lobbed tear-gas shells back at riot

police. The loyalists had been expressing support for Mr Juan Ponce Enrile, the Defence Minister, after rumours that he had split with President Aquino and mounted a coup.

Colombia landslip kills 15

Bogotá (AP) — A huge landslide that crashed across a highway in southern Colombia killed at least 15 people, according to official reports. Witnesses were quoted as saying 200 may have died.

The disaster occurred on Saturday near the town of La Piragua, 22 miles from the Ecuadorian border.

Witnesses said a smaller landslide blocked the highway, and people were walking across the mud-covered area and buses were waiting when the second landslide struck.

ROME: The Pope, due to visit Colombia next month, yesterday expressed grief over the tragedy.

Row over 'vetting' of judges

From Christopher Thomas Washington

President Reagan launched a determined counter-attack at the weekend to ensure that Democratic opponents do not thwart his attempt to leave a distinct conservative stamp on the judiciary well into the next century.

He has been stunned by surprisingly successful Democratic moves to block the process, which has already gone far enough to leave a lasting impression on the federal bench.

Although political vetting of potential judges is, strictly speaking, disallowed, in reality new judges tend to share Mr Reagan's conservative ideology and especially his strong anti-abortion opinions.

All-clear on test

Two small polyps removed from President Reagan's intestines during a five-hour medical examination on Friday were benign, his personal physician announced on Saturday. Mr Reagan was given the news as he rested at the Camp David retreat.

In his weekly radio address on Saturday he claimed that criticism of his judicial nominations were politically motivated and denounced "partisan use" of the Senate process for confirming nominations.

He said criticism of his nominations was aimed at qualified conservatives who

simply failed to conform to "liberal ideology".

Many legal scholars and Democratic senators however have criticised the standards of his appointments in his second term.

A fortnight ago the Senate judiciary committee for the first time rejected one of Mr Reagan's nominations. They turned down Mr Jefferson Sessions as a federal district judge in Mobile, Alabama on the grounds that he had made racially insensitive remarks.

Last month the committee voted nine-nine on recommending Mr Daniel Manion, a conservative Indiana lawyer for a seat on the US court of appeal in Chicago. The full Senate will now vote on the nomination.

COMMENTARY



Geoffrey Smith

When I first flew into Oslo 20 years ago I felt that Norway was a country very much on the edge of Europe, not only geographically but socially and psychologically as well. It was an impression confirmed on subsequent visits, and never more than during the referendum campaign in 1972 when the Norwegians voted to stay out of the European Community.

The principal reason for that decision was a fear that Norway's distinctive way of life would be Europeanized. "Life is good in Norway: don't let Brussels ruin it" — that was the tenor of much of the argument at that time.

But the most powerful of all the impressions I received in Oslo last week was of Norway's increasing sense of European identity. The question of membership of the European Community is now coming back on to the political agenda for the first time since the referendum, and under the Labour minority Government that took office there is a deliberate Europeanizing of Norwegian foreign and defence policies.

New generation with new ideas

Another Norwegian application to join the Community will certainly not come before the next general election in 1989. Even then no party may be willing to risk such a controversial initiative. So it may be that Norway will wait until the late 90s or until some unforeseen development precipitates the issue.

But it now seems to be a question of when rather than whether. That is because of the way in which attitudes are shaping in the political parties and among other opinion-formers.

Few of those who wanted to join in 1972 have changed their minds in the meantime. A new political generation, which does not feel bound by that decision, has come along since then. There is also a special reason why a number on the left who opposed membership last time are now in favour.

It was accepted on both sides of the debate 14 years ago that one of the purposes of being in the Community was to solidify the Western Alliance. For many on the left it was a particular reason for going in rather than staying out of the Community.

That is why I found left-wingers in Oslo last week, whom I remember as passionately opposed in 1972, now clearly in favour.

The same spirit, though in modified form, is evident in the new Government. Its loyalty to Nato is not in question, but it wants to keep its distance from the United States and to strengthen European influence within the alliance.

It might be unwise to make too much of the recent "footnote episode" when the Norwegian minister formally reserved Norway's position on SDI at a meeting of Nato defence ministers. Such a formal expression of disagreement is not likely to set a pattern for Norway's conduct.

Drawing closer to European family

Nonetheless, it is indicative of the new Government's more critical attitude towards the United States. It is not only on the Labour left that Europe is now seen as a balancing force against American domination. The Europeanizing of Norwegian foreign policy has other effects. There is no possibility of Norway becoming a member of Opec because that would be out of keeping with the country's position in the European family. Limited co-operation is the most that is in prospect.

Under the new Government, there will be more emphasis on the need for disarmament, more hopeful noises about a Nordic nuclear free zone though probably without any expectation that anything will come of the idea — and possibly less evident assertion of Norwegian rights in its northern waters where Soviet forces are increasingly active.

For Norway's neighbours the Europeanizing of its foreign policy may have a double-edged effect because it represents a tendency not only to associate the country with Europe but also to distinguish it from the United States.

Nicaragua holds 'US mercenary'

From Alan Tomlinson Managua

The Nicaraguan Army says it has captured an American mercenary soldier fighting with US-backed rebels in southern Nicaragua.

The Defence Ministry said the man, identified only as Mr Lallo Warnes, was taken prisoner a week ago in combat near the Costa Rican border. It described him as a "mercenary agent" sent to Costa Rica "by his superior officers" in the United States to fight with the Contra rebels.

Mr Warnes is believed to be the first American to be taken prisoner in the guerrilla war which has attracted a number of US citizens, some of them veterans of the Vietnam war, to fight on the side of the Contras who are trying to overthrow Nicaragua's left-wing Sandinista Government.

Two Americans were killed two years ago when a Contra helicopter was shot down while attacking a Sandinista army barracks. They had been members of Civilian Military Assistance, one of several private US organizations which assist the Contras.

The capture of Mr Warnes near the south eastern Nicaraguan town of Nueva Guinea is likely to embarrass the Contras at a time when President Reagan is having difficulty in persuading the US Congress to renew official military supplies to them.

The Contras recently captured eight West German aid workers in the same area, holding them for 25 days. The released prisoners said they believed the rebels had hoped to capture armed East Germans in order to help Mr Reagan by demonstrating that mercenaries from the Soviet block were fighting with the Sandinistas.

Aid to the Contras was cut off by Congress in 1984 after the Central Intelligence Agency admitted having taken an active part in the mining of Nicaragua's ports. Since then, the Democratic-controlled House of Representatives has agreed only to provide humanitarian assistance to them.

Cobra plague keeps police on their toes

Dhaka (Reuters) — Guards can't shoot and prisoners can't sleep because cobras are coming out of the woodwork in a police station near here.

One frightened officer found a snake in his desk drawer, but followed orders not to shoot because disturbing sounds might annoy other reptiles nesting in the cracked walls of the 150-year-old building, the state-owned newspaper Dainik Bangla reported yesterday.

The officer said another cobra dropped onto his colleague's desk from a crack on the roof only a few days ago.

One officer told the newspaper policemen and prisoners had now been asked to stay awake at nights "to avert possible cobra assaults".

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Sikhs reject Delhi land transfer plan and bring accord near to collapse

From Kuldeep Nayar, Delhi

The accord on Punjab between the Sikhs and the Prime Minister of India is on the verge of collapse and confrontation is building up between Punjab, where a Sikh-majority rules, and Delhi.

The Sikh Akali party, which rules Punjab, has rejected the new plan on the transfer of Chandigarh, which it has been sharing as capital with Haryana since 1966 when the bigger state of Punjab was divided into two states: Punjab and Haryana.

The crucial part of the accord signed in last July was Chandigarh's transfer to Punjab in exchange for "some Hindi-speaking villages" from the state to Haryana.

A commission, headed by Justice D.A. Desai, the Law Commission's chairman and a former judge in the Supreme

Court of India, will identify the 70,000 acres of land which the earlier commission, under Justice E.S. Venkataswami, awarded to Haryana in exchange for Chandigarh without identifying the area.

The Punjab Cabinet, which rejected the proposal on Saturday, has said that the terms of reference given to the Desai commission do not differentiate between Punjabi and Hindi-speaking areas of the state, while under the accord only "some Hindi-speaking" villages are to be transferred.

Another Punjab objection is that while arguing before the Venkataswami commission it had identified 45,000 acres of land which the commission "accepted" but found "inadequate".

Mr Surjit Singh Barnala, the Punjab Chief Minister, during his two meetings on Saturday

with Mr Rajiv Gandhi, expressed his willingness for the Desai commission to identify the balance of the 25,000 acres but not the entire 70,000.

On Friday the commission had been asked to submit its report within 24 hours to enable the central Government to transfer Chandigarh to Punjab on June 21, a date which was fixed when January 26, the date mentioned in the accord, could not be kept.

But the deadline was changed to July 15 after Mr Barnala's public statement that it would make "a mockery of judicial verdict".

● AMRITSAR: Three children were hacked to death at Moga, 80 miles from Amritsar, and two suspected Sikh separatists killed in separate incidents yesterday in the Punjab (AFP reports).



An emotional welcome for the freed Beirut captives Philippe Rochot, left, and Georges Hansen, on their arrival in Paris

Hostages' return wins prime TV time

From Susan MacDonald Paris

An emotional welcome greeted the two French hostages released in Beirut, on their arrival at Orly airport on Saturday evening. The moment was transmitted live over the start of the France-Brazil World Cup match on France's second television channel, for which the two work.

Viewers saw Philippe Rochot and Georges Hansen being embraced by their wives and children at the foot of the aircraft, while M. Jacques Chirac, the Prime Minister, looked on smiling. Philippe Rochot, looking considerably thinner, said they had been correctly treated, with three meals a day.

The released men were part of a four-man television crew abducted in Beirut last March. A total of seven Frenchmen are still being held, of whom one may have been killed. The new Government's overtures to Iran and Syria are thought to have secured the two hostages' freedom.

A breakthrough came when Mr Ali Reza Moayeri, Iran's Deputy Prime Minister, visited Paris in May and in early June after Mr Massoud Rajavi, one of Iran's main opposition leaders, who has lived in exile in France since 1981, left "voluntarily".

Soviet captain accused over Greek tug death

Athens (UPI) — Police charged the captain of a Soviet cruise ship with manslaughter after the sinking of a Greek tugboat and the drowning of an engineer, a Merchant Marine Ministry spokesman said yesterday.

Captain Constantine Sarokin, aged 55, skipper of the 21,460-ton Feodor Salapin, was also charged

with causing a shipwreck through negligence.

The engineer was drowned on Friday in the port of Piraeus when the Soviet liner, with 210 passengers on board, increased its speed before the tug, which was guiding it out to sea, could detach itself from the liner.

The tug capsized and sank. Four of its five crew members swam to safety.

Christians held for not reciting Muslim creed

From A Correspondent, Cairo
Six Egyptian converts to Christianity have been detained over allegations that they "defamed" the Muslim faith: a charge which can bring them five-year prison terms. Egyptian authorities are reluctant to discuss the case, but it is understood the arrests began in January when Muslim co-workers at the Ministry of Social Affairs filed a complaint against Miss Eman Mustafa Tewfik, who became a Protestant in 1978. Since her arrest, three members of her family have been detained for refusing to recite the Muslim creed: "There is no God but Allah and Muhammad is his prophet." Amnesty International is expressing concern.

Dhaka takes control of enclaves

From Ahmed Fazi, Dhaka

Bangladesh has decided to set up two police stations to take control of its two enclaves in the Indian state of West Bengal separated from Bangladesh by a strip of Indian territory, government officials said yesterday.

The decision was taken as Major General Mahmudul Hasan, the Interior Minister, flew at the weekend to Dabagram and Angorpota enclaves, the first visit by a senior Bangladesh leader to the hamlets since indepen-

dence in 1972. "It is our land and we shall see that it remains ours," General Hasan was quoted as telling an enclave gathering. There have been violent clashes between Indian border forces and some of the 12,000 residents.

Tableware town losing its edge

From David Watts, Tokyo

Mr Hitoshi Nakayama was feeling under the weather and not just because he had made a night of it.

He and his friends, fresh back from a trade show in the United States, have one subject when they meet in the tiny bars and restaurants of Tsuhami: what the strong yen is doing to a town dependent on selling a single product in export markets.

No amount of alcohol softens the reality that export-dependent firms like Mr Nakayama's stainless steel tableware company are under strong and perhaps fatal pressure. Already one or two firms have gone bankrupt. Officially about 200 jobs have been lost but the true figure is much higher when so-called part-time workers are considered.

Mr Nakayama saw the same thing happen when he lived in Sheffield. What happened there is now happening to Sheffield's Japanese equivalent. Much less of the town's stainless steelware is being packaged for Harrods and

other backyard operations grinding, polishing or making the packaging. Working conditions are Dickensian. Payment for polishing is calculated in sen, a one-hundredth part of a yen. Polishing work on a single fork starts at 60 sen.

Mr Kikashi Sakatsune, aged 65, shows a mouthful of gold and silver teeth as he recounts how he and his wife Mitsui have had their noses to the grindstone for 40 years, shaping and polishing 3,000 knives and forks a day at three yen each.

The rate used to be three and a half yen and now there is a "high yen penalty" for every 10,000 yen of earnings, the parent company cuts back payments to the Sakatsunes by 700 yen.

In a Western economy Mr Nakayama and Tsuhami could seek relief in buying cheaper raw materials from abroad, from China or competing South Korea. But the Japanese economy is not run like that.

The intricate web of relationships and arrangements means that the town's raw steel is bought by the Flatware Manufacturers' Association from expensive Japanese steel producers who give 120 days' credit. Imports, which do not endear Tsuhami to Japanese steelmakers, must be paid for immediately.

"The strong yen should be helping us but taxes, petrol and electricity are not coming down. If we were getting some of the benefits of this strong yen we could survive this reduction in income but we're not getting any benefit. The big trading companies do all the importing and they don't reduce their prices," says Mr Hidenari Sasaki, who runs a houseware firm.

The Japanese Government is ready with loans for firms whose exports have declined by more than 20 per cent over last year's figures but the interest rate is comparable to that on the open market.

Since January a fund of 30 billion yen has been available to help firms switch to products for the domestic market. Few firms appear to have taken up the offer.

In Tsuhami the reason for that is quickly clear: no-one has any idea what to switch to. Japanese may dine out in French and Italian restaurants but whether they eat hamburgers or sushi at home, they nearly always use chopsticks.

Beyond hotels, restaurants, clubs and companies there is no market for flatware in Japan.

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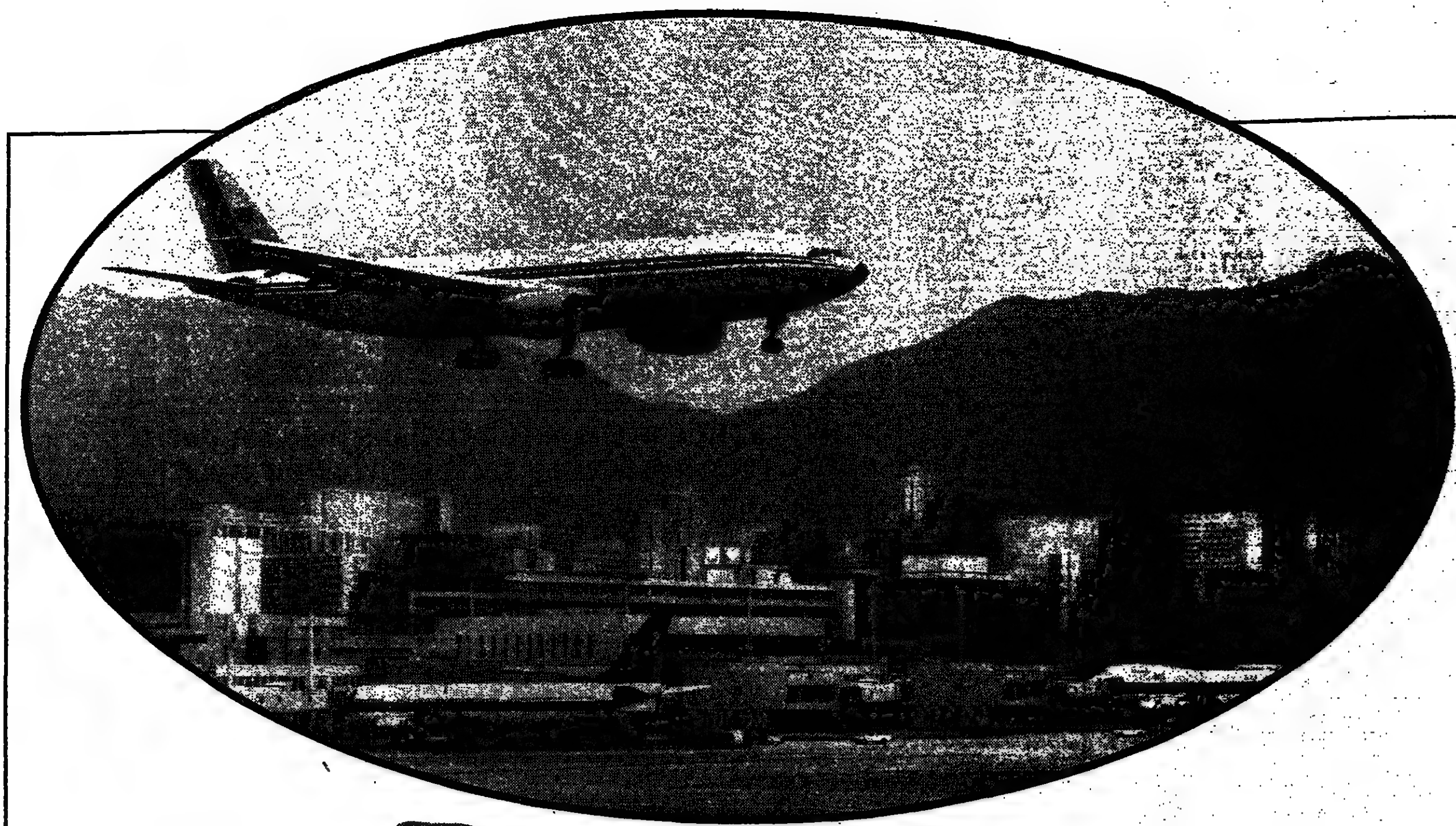
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Mr Hitoshi Nakayama, right, who has seen it all before in Sheffield, and his father contemplate a grim outlook.



Hong Kong, according to other airlines.

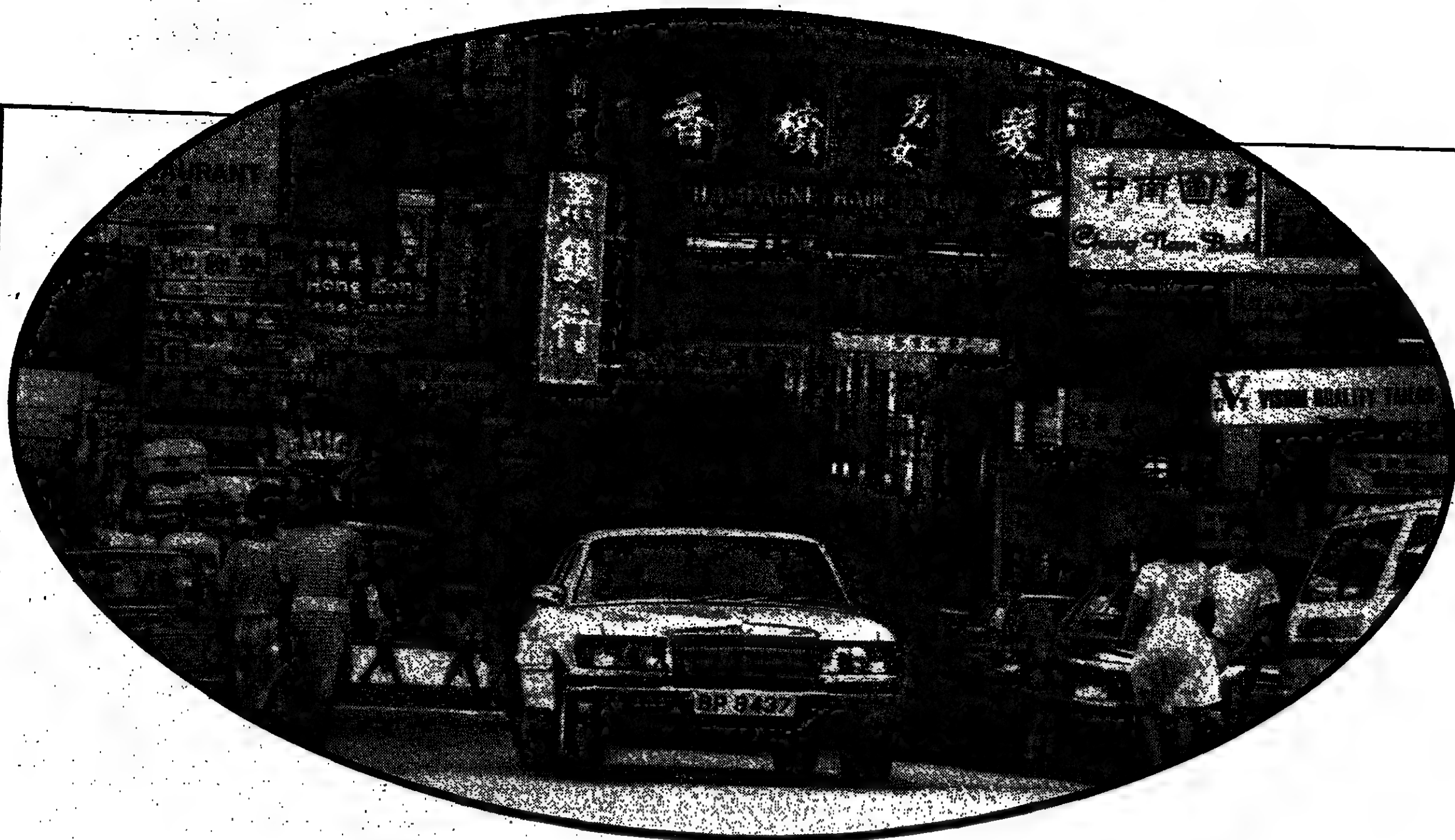
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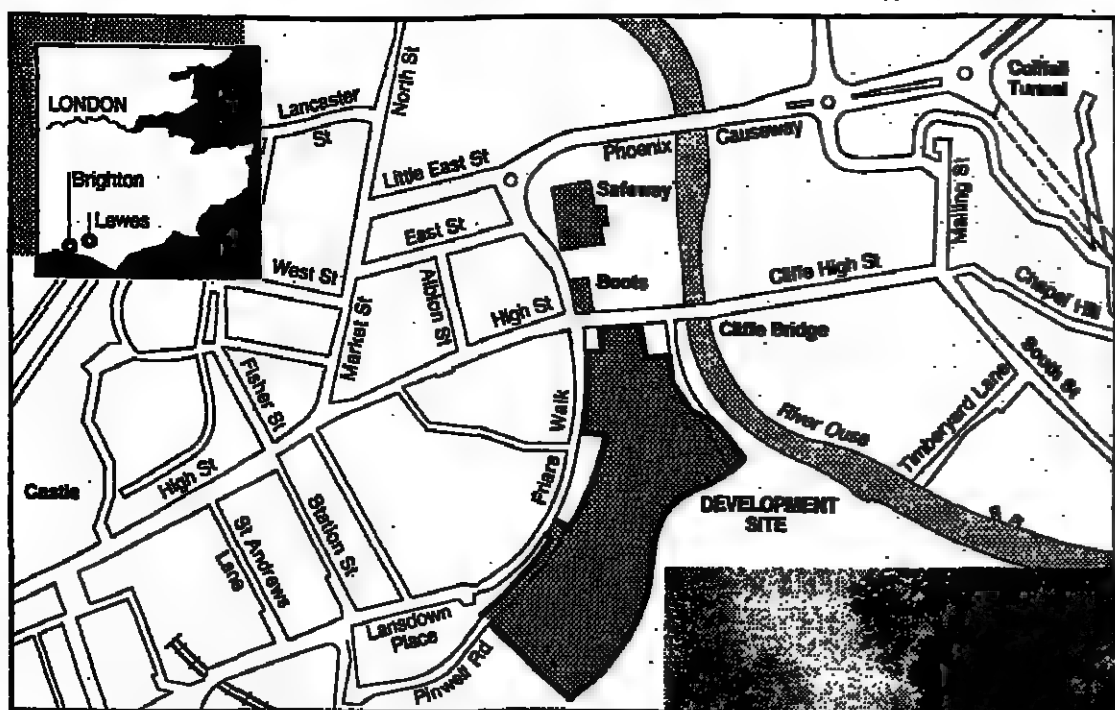
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A fierce planning battle is shaking the traditional, solid conservatism of Lewes in Sussex. Bryan Appleyard reveals the symbolic crisis of conscience now afflicting the local Tory squirearchy

Yeoman guard is called to arms

The yeomanry of Lewes — academics, traders, conservationists and Georgians, the proprietor — met at Aladdin's Café, on South Street, with its deep-buttoned banquettes and wood-effect Formica. With a 1,100-year history of defensive warfare at their backs, they were once again stiffening the sinews and summoning up the blood. Waitrose wanted to build a superstore — but here were a score of Sussex men who would know the reason why.

Yes, it's a planning battle like a hundred others. British Rail wants to sell a spit of marshy land, stretching along the River Ouse into the town centre. From the Dark Ages it has discouraged builders, but now, by raising the land almost seven feet and improving the drainage, a superstore can be built, plus 124 flats and houses, 34 sheltered housing units, public lavatories and 300 car-parking spaces. It is a neat developer's package, combining welfare-compassion, social need, jobs, an up-market grocer and an amenity — a new lake has been thrown in — but the yeomen were not fooled.

They would fight as they had fought before to save their town, but this time the rules of war have been curiously changed. The political climate for such set-piece confrontations has been transformed, and the Lewes battle has become symbolic of the crisis of south-eastern affluence and the crisis of conscience within the Tory squirearchy.

The fight became big news just as Nicholas Ridley, the new Environment Secretary, had been heard musing about the environmental problem of the south-east. Economically, it has raced ahead of the rest of the country, and that has created development demands which it cannot accommodate.

Lewes is the county town, littered with architectural gems and home to a large collection of houses faced with mathematical tiles, deeply glazed earthenware masquerading as bricks. Tom Paine lived here, as did Anne of Cleves, and the Prince Regent rode a coach and four down Keere Street for a bet. It is evidently in need of protection although it would suffer if turned into a museum.

It has never found a way of living comfortably with the car or with its proximity to Brighton and Eastbourne. The only river crossing used to be the narrow, hump-backed Cliffe Bridge, and lorries were, for some time, in danger of shaking South Street to pieces. The Sixties solution was an insane scheme for an inner relief road. That was abandoned in favour of a bypass and subsequently the Culliford Tunnel. This took traffic under the immense chalk cliffs looming over the town.

Traffic almost vanished from the town centre, but has now risen again thanks to a large and very ill-designed Safeways and to the increasing use of the town as an alternative centre to Brighton. In 1979 a district plan allowed for development of the railway land, but last year, along came Waitrose and the developers Farmcoats with a scheme that increased the permitted commercial element by half. The battle was on.

It immediately became clear that, as one councillor put it, "the wisdom of 1979 had given way to the reality of 1985".

The solid Tory district council was all set to give planning permission. The county council, Tory by virtue of a chairman's casting vote, said there were no highway criteria to stop the development, even though

it would raise traffic in the town to pre-bypass levels. And the town council — well the town council isn't exactly involved, but the mayor, Joanna Hallett, made the obviously coded remark that Lewes could not be a museum and suggested that the meaning of the SOS signs stuck in people's windows should be changed from Save Our Streets to Serve Our Society.

When I met her at the Egon Ronay-recommended Lunch Counter in the presence of a few of the yeomanry and a Liberal county



Coded message: Joanna Hallett

councillor, the mayor seemed steadfastly old-style, conservationist Tory, but another coded message emerged as she left. She insisted, twice, that I talk to the district's chief executive. District is strictly Thatcherist and its constituency of newcomers and the retired has no time for qualms about tasteful Lewes. Wealth-creation is what they want: the Eighties are not an age for dithering about traffic problems.

The battle lines, in fact, are somewhat blurred. The anti-Waitrose lobby is not, with a few exceptions, arguing that the land

should not be developed at all — merely that any development should be a good deal smaller. That is Eighties "realism" as compromise, and behind it lies the guilt-stricken sense that opposing any development whatever suggests you are somehow standing in the way of precisely the kind of thing that will help to take people out of the doldrums.

The perhaps over-reasonable yeomanry are an odd bunch. Academics from Sussex University made the most noise by writing to *The Times*. They are led by Bernard Harrison, the amiable and droll philosophy professor, much given to show-stopping quotes like: "This development renders the tunnel nugatory; that is the gravamen of this dispute."

Sceptical of the sudden mobilization of the academics and some inaccuracies in *The Times* letter is Elisabeth Howard, a Labour veteran of previous set-piece Lewes conservation battles. But she is on the academics' side when it comes to Waitrose. Residents' associations, meanwhile, have sprung back into life everywhere.

Indeed, within the densely-packed centre of Lewes itself, it seems impossible to find anybody in favour of the scheme. The problem is that the only council representing Lewes alone is the town council, which has no power in the matter, and all around is wealthy semi-rural East Sussex that would like nothing more than better local shopping.

Yet there are — mainly Alliance — friends at county level who have flung back the county council's snooty nothing-to-do-with-us attitude by forcing the highways department to look at another traffic scheme for the town centre. It is a move intended to cause embarrass-

ment. The scheme involves widening a road to make it two-way, only possible by knocking down the recently-built Boots the Chemist.

The official county attitude, however, is that of Councillor Harry Hatcher, chairman of highways, who claims they have said all they need to say constitutionally by their comment that there is no simple traffic reason for refusing the scheme.

Apart from the Boots commando raid, however, it seems to be simply a question of waiting until the public inquiry opens on August 3. Opponents are aware of a dangerous calm: the people who actually want the scheme are either impatient district councillors or merely silent. In the Seventies those opponents may have been able to resist any development and win, but what about the realistic Eighties when even the rural Tories speak with forked tongues, paying lip-service to conservation but also wanting to do the right, hard-edged, wealth-creating thing?

For the south-east it is the price of success, the penalty of affluence that draws in multiple stores and property developers as if the north didn't exist. Such developers can no longer be categorized easily as a Bad Thing. Unemployment, however, is — and it leaves the middle classes with their conservationist instincts at war with their social consciences.

The development will leave a town of 16,000 with two 30,000sq ft supermarkets. The only rationale for such a ridiculously high density of shopping is that Lewes is being exploited for the hardened populace in the fields outside and, after 1,100 years, that is not good enough. It is not often that the full-blooded, build-nothing, conservationist posture is right — but in this case it is.

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Talking to the streets: Professor Bernard Harrison (above) in Lewes, a town unsettled by the proposed development (site and map, left)

Wimbledon: game, set and profits

Today's tennis is not just a game. Andrew Duncan finds that business is really booming

Today at Wimbledon the healthy "ping" of cash registers will be as eloquent as the "pop" of a well-struck forehand smash on the centre court, for the All England Lawn Tennis & Croquet Club will be counting its income of about £1 million a day.

The unmistakable whiff of affluence and privilege, which still pervades one of Britain's premier sporting events, has been capitalized on with great skill to hype it into very big business indeed. The championship, which began in 1877 to raise money for repairing a pony roller on the croquet lawn, has seen profits increase from £300,000 in 1979 to £5,373,444 last year.

The club has resisted sponsorship and makes money from licences, television, marquee and ticket sales. It employs two promotional consultants — Bagenal Harvey and the International Management Group — who have offices near each other in the West End but are light years apart in ideology.

They are rigidly correct about each other, as people are when drawn together by the common bond of money, but their different attitudes induce some schizophrenia within the club. It was IMG's chairman, Mark McCormack, who devised the idea of marketing the Wimbledon



name in 1978. Throughout the year, at least 10 of its staff work on merchandizing, co-ordinated in London by Ian Todd.

"It's grown immensely", says Todd. "We developed a logo which we call the 'Flying W' and licensed it as a trade mark. You can't stop a company putting the name Wimbledon on their product, because it's the name of a town, but what we sell — apart from prestige, heritage and tradition — is the exposure that Wimbledon gets on television."

At present more than half the £1.5 million or so royalties from licensing come from Japan. Wimbledon marketing director Rob McCowan proudly displays some of the products. There's a necklace tennis jewellery is important in Japan. And they like things like spectacle frames — you see the subtle Flying W on the side of those.

"This year in England, to celebrate the tenth anniversary, we are producing a poster (£4.50, unframed) on good quality paper. We are also putting our new logo on the necks of champagne bottles, and we have prepared some gift items for the first time: a nice soap for £3 made by the Queen's suppliers, Elizabeth Shaw chocolates for £1.99, Wimbledon jam made by Tiptree and selling for £1.35, and a super large bath towel for £15."

Bagenal Harvey, meanwhile, administers most of the tasteful advertising with-

in the grounds of the club — the centre court scoreboards (Rolex), balls (Slazenger) and drinks (Robinson's and Coca-Cola) for which the companies pay a fee estimated at £150,000. "The figures are a closely guarded secret", says Bagenal Harvey's managing director Geoff Bluet. "A lot of people would like to have signs on the centre court, but the club doesn't like advertising, full stop."

In 1976, his company suggested to Commercial Union, who then sponsored the tennis Grand Prix, that they should erect a marquee on one of the hard courts and invite guests. "It was a quiet way of letting people know that this sort of facility could be available", says Bluet.

This year there will be 44. Bagenal Harvey administers 26, IMG nine, and for the first time the club will be organizing nine of their own.

Costs are not disclosed but the average total including marquee, food, drink and flowers for entertaining one person per day at Wimbledon, is £170.

Town and County, who do all the catering, often find themselves criticized for the annual "Great Strawberry Rip-off". "For some reason, strawberries are an emotional issue at Wimbledon", says marketing manager Michael Tierney. "We can't win. If we buy foreign strawberries because they are cheaper, we get slack. And if we stick to the more expensive British ones, we also get slack."

"There is a list of 100 companies waiting to use the marquee and almost certainly we could increase the price", says Bluet. "But my inclination is not to sting people just because it's Wimbledon and we have a monopoly." Indeed when Austin Rover, who supply the players' cars, had financial difficulties, charges for their marquee were waived. Even now, they pay less than the normal rate.

Membership of the All England club, perhaps the most exclusive in the country, is inextricably linked to the finances of Wimbledon. There are only 375 members and a waiting list of 900 — about seven of whom will be given membership during the year. "We only fill dead men's or ladies' shoes", says secretary Chris Gorrings. "Members are privileged, but they undergo quite a lot of hassle — with all the marquee they can't play on a hard court for five or six weeks."

It costs just £25 a year. In addition to a seat in the members' stand on the centre court, members are entitled to buy two centre court tickets for each day at one third the regular price.

Every five years, the club sells 2,100 debentures to help cover capital costs, which also entitle holders to a seat on the centre court. The current ones have a basic price of £500 and a premium of £5,000, plus VAT of £750. They are traded on the London Stock Exchange (the price this month is £16,615) and the best way to become a holder is to buy in now and then renew automatically when the next issue is announced.

By the terms of a 1934 agreement, championship profits are given to the Lawn Tennis Association for the promotion of tennis in this country. So why are there so few good British players compared with Sweden, which has a fraction of the budget?

"We have only been affluent for the last few years", says Ian Peacock, executive director of the LTA. "We are embarking on a five-year programme to build 100 indoor courts, and it is likely to be a few years before we see the fruits of our efforts."

But it's good to know that Britain still ensures that the souvenirs are tasteful.

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Theatre of life or death

How two British puppeteers are helping to halt the march of deserts and famine in Sudan

At Shendi in northern Sudan two British puppeteers, Ann Shroobree and Bill Hamblett, have built a puppet theatre. Sitting under the desert stars, up to 1,000 villagers watch a simple puppet drama.

In the story, Granny Fatima tells her lazy grandson Ali to take their goat to graze on the one remaining tree in the vicinity. The tree is actually a genie or tree spirit which avoids Ali's axe by blowing smoke in his face. It urges Ali to plant trees to shelter the land and restore life to the village.

By adapting stories from the rich northern Sudanese folklore tradition and by training local puppeteers to give shows, Shroobree and Hamblett are promoting the simple message that trees halt the march of deserts.

Local schools and youth clubs have been involved in writing scripts for the shows and the participation of women, who are usually left out of

the puppet shows have proved so successful in stimulating interest in trees that other development agencies in Sudan now want to organize their own.

Quietly Band Aid is now disbursing its £60 million or so raised in the past year to fight drought and famine in Sudan and the Sahelian belt, and one of the organizations to benefit is the British charity, SOS Sabel, originally set up in 1983 by Baroness Jane Ewart-Riggs.

The tree-planting programme is its first major project. It has identified one of the bottlenecks in the whole process of desertification lead-



Puppet-masters: Ann Shroobree and two Sudanese helpers

ing to famine as lack of basic extension facilities for agriculture — for it is no use giving villagers a fast-growing tree seedling if they do not have the know-how and tools to tend it. The idea of using local puppet groups to get the message across was pioneered by Green Deserts, another British charity.

SOS Sabel's executive director, Dr Nigel Cross, is somewhat different from the dozens of eager agro-ecologists, sociologists and self-appointed Third World experts. He has a doctorate in literature. "If you have a degree in English literature you are not an obvious candidate to 'save the world' — any more than a pop star", he says. "However, I believe literature is as good a training as any other for sensitizing one to anthropological and social issues."

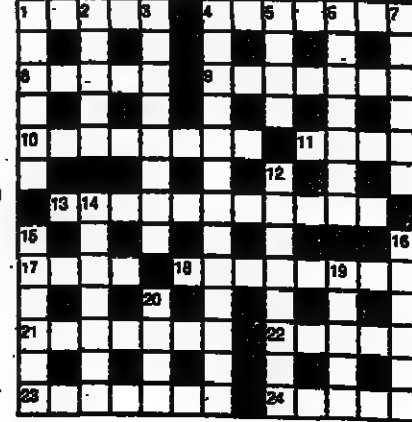
So it seems that plays, drama and literature are clearly untapped areas in the development process. Come in Peter Brook.

Andrew Lycett

Further information from SOS Sabel International, 22 Baron Street, London N1 01-837 9129.

CONCISE CROSSWORD NO 983

ACROSS
1 Ancient Cambodians (5)
4 Crew compartment (5)
8 Of sound (5)
9 Musquash (7)
10 Ant bear (8)
11 Documents folder (4)
13 Oahu naval base (5,6)
17 Habitual procedure (9)
18 Light meal place (5,3)
21 Italian gypsies (7)
22 18th cent thin scarf (5)
23 Significant (7)
24 Cape Province people (5)



DOWN
1 Arab citadel (6)
2 Lesser (5)
3 Recuperation (8)

4 Including all (13)
5 Expel (4)
6 Porch (7)
7 Walk unsteadily (6)
12 Christ's cross (8)
14 Having died out (7)
15 Shameless (6)
16 Post-rail shock (6)
19 Irish lad (5)
20 Smeared (4)

MONDAY PAGE

The tie that still binds

The meeting, in an over-bright hotel room in Dublin south, was one of dozens held all over the Irish Republic last week. The audience of less than 100 represented a cross-section of the men and women in Paula Fennell's constituency. They had come to air their prejudices, share their concerns and, to varying degrees, stand up and be counted.

The object of their agonizing was the republic's latest political hot potato: divorce.

Perched on hard chairs beneath gilt chandeliers, the doubters, the desperate and the intractable brought the debate, which has been challenging bishops and statesmen, firmly down to earth.

The discussion, organized by the Fine Gael pro-divorce lobby, ricocheted geographically from heaven to Dallas (Fennell: "It's ludicrous to compare Irish society with Dallas, we're a long way behind that"), with frequent questions couched in the third person when the anxiety was clearly personal.

One well-dressed woman made a vehement little speech which began: "How is it realistically possible for a middle-aged wife with five children to exercise her right to remarry?" and then left.

"She's off to the next meeting," hissed her neighbour. "A plant. Several of the audience had heard the same woman ask the same question at a pro-divorce coffee morning earlier in the week."

Fennell, the Minister of State for Women's Affairs, opened the floodgates of reform when she started a battered wives' home in 1975. She first spoke out publicly in favour of divorce on television at the beginning of the 1970s and caused a backlash of moral outrage. Today there are an estimated 70,000 broken marriages in the republic, out of a population of 3.5 million.

Fennell's interest, as she told the meeting, has been "in the woman's role in marriage breakdown". A major part of the current anti-divorce propaganda campaign is being directed towards women in a last-ditch effort to capture the female vote in Thursday's historic referendum.

"The First Wife could be divorced against her will... would lose her Inheritance Rights... could have the Family and Home in which she lives sold without her consent... would almost certainly receive no maintenance," warns the Anti-Divorce Campaign.

"Divorce Hurts. Have Compassion for the Loyal Partner and Children. Vote No," says the anti-divorce group Family Solidarity.

"Evidence is now emerging that very few separated and deserted women want to remarry," claims the recently formed Women Against Divorce, describing the proposed no-fault divorce amend-

This Thursday, the Irish people will vote on the thorny issue of divorce.

Sally Brompton heard the arguments, both for and against

ment as "anti-woman, anti-family, anti-Christian and anti-constitution".

"If some of the outrageous anti-divorce posters were subject to the Trades Description Act, the groups would be prosecuted," complains Paula Fennell.

While some women still try to unravel the legal, political and religious implications of the proposed legislation others see their decision as clear-cut.

Breda had not intended to speak at the meeting, but she was so incensed by the anti-divorce dogma presented by the flying agents provocateurs that she rose involuntarily to her feet. Breda had fallen in love with Kevin, a chartered accountant who was legally separated from his wife. When his wife applied for — and received after three years — a Church annulment, Kevin and Breda married. Both

practising Catholics from strict religious backgrounds, they had a white wedding attended mainly by close family.

That was 11 years ago. Today, Kevin, aged 47, and Breda, 43, live in a comfortable detached house in a middle-class suburb of south Dublin. They have two children of their own (Jane, six, and Garrett, 18 months) and, for the past five years, Kevin's three children by his first marriage (Paula, 20, Niall, 19, and Peta, 18) have also lived with them.

However, in the eyes of the law, Kevin is still married to his first wife and is guilty of bigamy. While legally Jane and Garrett are illegitimate, as far as the Catholic Church is concerned it is Paula, Niall and Peta who are.

Despite being happily — if illegally — married and apparently philosophical about her situation, Breda could not prevent herself burning into Kevin's memory while telling her story at the meeting. At home the following morning she explained the agonies of her non-marriage.

Her main concern is the fact that legally her children have no rights of inheritance to their father's estate. While Kevin can leave up to IRE150,000 tax-free to the children of his first marriage, the tax-free limit for his other two children is IRE10,000 — no different to that of an unrelated beneficiary.

"I am lucky because Kevin is a very sound man," says Breda, "but if he had turned out to be a bad hus-

band I would feel very insecure, because there's nothing to stop him walking out of the house tomorrow and I wouldn't be able to claim a penny."

"Legally, I am an unmarried mother and I hate that. Emotionally and mentally I am fine, but the older I get and the older our children get, the more concerned I become about what will happen to them when Kevin dies."

Breda continues: "I also think the Church should do more to campaign towards legalizing church marriages, otherwise they're encouraging people to break the law. They didn't particularly point out to me that this would never be a legal marriage. Probably if we hadn't been church-going people we would have thought more deeply about it, but I felt married because we are church-going people. I wasn't any different from my sisters, because I was also married in church."

"Legally, we're in a mess," Kevin says. "To me, it's not a religious question at all: I go to mass and shall continue to go. It's a social question and a property question and I think that the present situation is so utterly absurd that the law should be changed, bringing in divorce."

"In the eyes of the Pope I am married to Breda, and in those of the President to my first wife."

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Time for some tough talking

TALKBACK

From John Mason, Grange Road, South Croydon, London.

The problem of "Sleeping partners in your house" (First Person, June 11) can surely be solved by the injunction: "Why not offer your friend the settee in the living room for the night?"

As a parent of three, I was taken by surprise on the staircase at 7 o'clock one morning. But the query — "Good Morning, who are you?" led to a regularization in attitudes which seems to have worked well since.

As to parents who do not know how to go about raising an objection, how about: "I want to raise an objection."

From Mrs J. Shorrock, Clerton Road, Brize Norton, Oxon.

I fail to see how your anonymous contributor finds sleeping partners in her house a "delicate issue". The impression is that she is afraid to voice her own beliefs in her own home. It would seem that many of today's parents are largely to blame for their children's behaviour of taking things for granted. Nor do I see why attitudes to sons and daughters should differ.

From Jane Naylor, Aron Road, Hale, Altrincham, Cheshire.

As a mother of five teenagers, I am shocked to read that this family obviously encourage these "alley cat" relationships of their son. Although I realize the moral standards of people have changed over the years I do not think we should change our ideas to accommodate them.

As a family we are very open about all subjects: contraception, abortion, live-in-lovers etc. Everything is discussed among us and I feel my children can talk to me.

The subject of boyfriends staying has occurred, but in our case no girlfriends yet. Both daughters have said that they feel it would not be right to expect to sleep with their boyfriends in our house as they respect the standards that we have taught them. Nor would they feel comfortable in a similar situation in their boyfriends' home.

Perhaps this is what is wrong with the world today. Parents think they must be with it! My 15-year-old son's comment was: "You would think he would have had the decency to ask first!"

Penny Perlick is on holiday

Deserted mother, against divorce

Mary Masterson

"I am angry about what was done to me and my family"

● Mary Masterson was under the impression that she was happily married until her civil engineer husband of 22 years sold their IRE38,000 family home, took the money and left her penniless with four children, three of them still at school.

Yet despite her own experience, 35-year-old Mary will be voting a fervent "no" in Thursday's divorce referendum.

"Marriage is more than a relationship," she says. "It is a commitment to the welfare of a whole family unit. The fact that one member has gone doesn't give the state the right



to say 'this is no longer a family'."

Today, six years after her husband vanished from her life, Mary and her children (Eoin, 23, Ann, 24, Eamon, 23, and Conor, 14) live in a three-bedroom local authority house which costs her IRE16 a week. Mary has a part-time job in an insurance office earning IRE5,800 a year.

"I am not a martyr type," says Mary, who is a Catholic and a member of the ruling Fine Gael party. "Far from it. I feel extremely angry and resentful and bitter about what was done to me and my family. But I believe in marriage and you don't get any guarantees of happiness when you marry. I made a lifetime commitment and I made it voluntarily."

"In a nutshell, divorce is the legalization of desertion and I object to the fact that the state should be able to tell me that my family no longer exists as a legal unit. I don't want to be an unmarried mother."

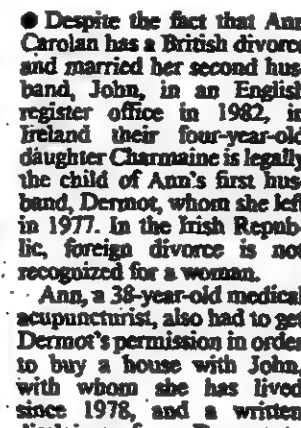
"I think more marriages will break up if we legalize divorce. You're releasing people on to a marriage market so who are they going to marry? If they want to remarry they are going to set their cap at a neighbour's husband or wife."

● Despite the fact that Ann Carolan has a British divorce and married her second husband, John, in an English register office in 1962, in Ireland their four-year-old daughter Charmaine is legally the child of Ann's first husband, Dermot, whom she left in 1977. In the Irish Republic, foreign divorce is not recognized for a woman.

Ann, a 38-year-old medical acupuncturist, also had to get Dermot's permission in order to buy a house with John, with whom she has lived since 1978, and a written disclaimer from Dermot to say that he had no rights to the family home.

Ann's two daughters by her first marriage (Solide, 13, and Vanessa, 10) live with her, John and Charmaine in the four-bedroomed house in Glasnevin in the north of Dublin. Ann and her children have changed their name by deed poll and the couple have made their wills to overcome the inheritance problem. The girls go to an interdenominational school where their mother will not be "condemned for living in mortal sin."

"I stopped being a Catholic in the mid-1970s because I



Divorced, but still living in mortal sin

Ann Carolan

"The Irish environment is so repressive"

was fed up with the burden of guilt it gave me," says Ann, who used to belong to the ultra-religious Opus Dei branch of Catholicism.

Her marital situation caused serious rifts within her family. "It has soured my relationship with my mother, unfortunately," she admits.

divorce then I'll have them anyway because I won't deprive myself and Paul of a family simply because of the legal problems. But if Paul and I have a child without being married then the child is legally the child of my husband."

Both Máire's and Paul's parents are strict Catholics. "I go to church irregularly but I feel that I am regarded as a bad person because I am living with someone who is not my husband," says Máire. "But Paul's parents look on us as married. They say, 'Well, there are genuine cases of a broken marriage like yours'."

"When a marriage breaks down you need your independence to become a normal person again. I need to be completely free. Even though we are not living together and we never contact each other, to me that bond is still there."

"Two of the people in my office don't know I am separated. They think I am married. I can't tell them in case I'd be shunned. I felt that ashamed."



Ashamed of not remarrying

Máire Doyle

"If I can't get a divorce I'll have children anyway"

● When Máire Doyle and Paul Barrett moved into their new flat nine months ago they exchanged wedding rings. "We wanted to be seen as a couple. We wanted to be taken seriously because we felt 'serious'," says Máire, a 27-year-old insurance broker. "I feel as much commitment to Paul as if I were married."

The reason they are not married is that Máire is still

legally wed to someone else. When that marriage broke up three years ago after a whirlwind romance and a disastrous year together, she and her husband got a legal separation and relinquished all inheritance rights to each other's property.

Even so, when she and Paul got a joint mortgage on their IRE30,000 one-bedroomed flat in Clontarf on the north-

side of Dublin, Máire had to sign a series of affidavits swearing that her husband had no legal claim on it and her father had to act as guarantor for the mortgage repayments.

"We are living in the hope that we'll be able to get married one day," says Máire.

"Emotionally I need the stability and the security. I want a normal family life with children and if I can't get a

How a child cracked the colour code

Last November, on a typically hot summer Sunday in Johannesburg, there was a knock on our front door. I was out on the veranda, my wife upstairs, and our young daughter got to the door first. She stretched up, opened it, and called out: "Daddy, there's a black man here!"

All at once, all the doubts that have been building over the years about our ability to continue living in South Africa came together. After 20 and more years of paying lip-service to democracy in a country where no real democracy existed, of pretending that just because we weren't actively racist we were somehow morally superior to those who were, of supporting change while doing nothing ourselves to bring it about, we realized that our sins of neglect were being visited upon our daughter.

On the face of it, that might

seem to have been something of an over-reaction to a four-year-old's comment. Particularly when you realize that we did, in fact, sell up, leave South Africa and come to England shortly afterwards. And, yes, attempting to stop our daughter from becoming even an unconscious racist was only one of the reasons for our move (another was escaping the violent revolution that we now watch nightly on television).

But Kate's reaction to the man on the Welcome mat was so typically white South African that it shamed us. We had grown up colour-conscious, but we weren't, as far as possible, going to let her suffer the same fate.

Bringing up a colour-unconscious child in such an atmosphere is a hopeless task. We could — and did — train Kate not to refer to black men and women as "boys" and "girls". We could — and did — teach her to realize that white does not automatically precede black through supermarket doors, or that a little white girl shouldn't necessarily be sold sweets before a black man is allowed to pay for his loaf of bread in the corner café.

But we didn't know the surname of the black woman who came in to clean up our flat twice a week (yes, of

course we had a maid — we're South African, aren't we?). So why should Kate call her anything but "Eugenie" — or, to be more specific, "my Genie"?

And why shouldn't Kate, once she got old enough to realize that Eugenie could clean our house, but she couldn't live in it, say to her one day: "You black, my Genie, and you go onna green bus?" The green Puma buses are for blacks only, the red Johannesburg Transport buses for whites and, latterly, coloureds and Asians.

From there, who knows where her developing racism might have led? She might not have been taught it at home, but she would have picked it up all right, by osmosis.

And so we came to England. We had British passports, so we could. And we put Kate into her first school, where Japanese, Indian — and black — children almost outnumbered the whites.

There is a tradition at this school — maybe it's an English tradition in general. When children become Best Friends they announce the fact by walking around hand in hand. Kate made her Best Friend the other day — a little black girl. Perhaps there's hope for us as well.

It is impossible to be South African — of any racial classification — and not be obsessively colour conscious. Even wishy-washy white liberals such as myself and my wife automatically register a person's skin colour, and then behave towards them on the basis of colour.

There is a paternalism that creeps into a white South African's voice when he speaks to a black, and, until recently, a subservience in the black man's response. In the rural areas, on the farms, a black and a white may grow up together, share the same bath, be punished together for the same childhood naughtinesses — and still be master and servant through it all.

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LONRHO

The legal proceedings being brought in Denver by Lonrho against Dan Mayers and his Crystals company are undertaken with the full support of the Zambian Government.

Lonrho subsidiaries are claiming substantial damages in these proceedings and the matter is sub judice. A default judgement has already been obtained and the current case in Denver is in order to assess the amount of damages.

R. W. Rowland personally is not involved in any way in the case except as a witness for the plaintiff.

The shares belonging to Dan Mayers in the Amethyst Mine in Zambia have been sequestered by the Zambian Government because of his failure to answer criminal proceedings.

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THE TIMES DIARY

Big Botha is listening

Even before the present state of emergency in South Africa, the security services were using a bewildering array of bugging devices to keep tabs on visiting dignitaries and politicians with access to sensitive information. I can reveal that when the seven members of the Commonwealth's Eminent Persons Group were preparing to visit the country earlier this year, two Canadian security specialists were flown to London to brief them on how best to safeguard their secrets. This was the advice: never discuss sensitive matters in the rooms or even the grounds of hotels, since the conversation might be picked up by concealed sound detectors; the only premises where confidentiality could be expected were embassies or diplomatic missions in which they had "total confidence". For this reason the EPG opted to use the Canadian embassy buildings in Pretoria and Cape Town for their sessions. The two Canadians also reported, unsurprisingly, that South Africa is one of the six most "security-alert" nations in the world, the others being, in no particular order, the US, the Soviet Union, Israel, France and Britain.

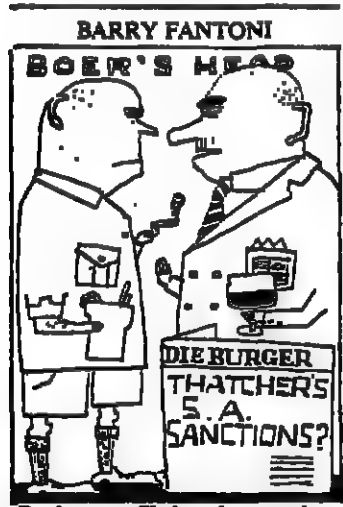
Comradely

There could well be a politicization of the top jobs at Lewisham Town Hall. A hard left caucus within this Labour-controlled London council has drawn up a list of objectives, including positive discrimination in favour of jobs for Labour supporters — or, in its own words, "promoting the appointment to council posts of people sympathetic to the policy objectives of the council". Not much hope for the politically neutral, either. In Brent Council's advertisement for a new chief executive: "She/he will need...ability to manage effectively in a highly politicized environment." Indeed she/he will.

● I can understand the decibels of complaint from the usually soft-spoken Wells MP David Heathcoat-Amory about noise at CND's West Country rock festival. He lives at Pitsea, a stone's throw from the 50,000-plus revelers.

Intensely Oscar

"We've never sold a letter as good as this," gloats Sotheby's Roy Davids about a 12-page Oscar Wilde manuscript which goes for auction on July 10. The letter was written from France in 1897, a few months after Wilde's release from Reading jail, to a friend, Carlos Blacker, and is expected to fetch at least £20,000. It contains, according to Davids, some of Wilde's most affecting prose: "My desire is to live as intensely as ever," he declares at one point. That was just three years before he died, broke and virtually friendless at the age of 46. Those unable to muster £20,000 can read the text in the standard Rupert Hart Davis edition of Wilde letters.



Spray spy

First the television detector van, now the hosepipe detector plane. Wessex Water Authority is tired of gardeners illegally watering their lawns with up to 2,000 gallons of an evening, which I am told is enough to keep 10 normal families supplied with all their daily needs. Now it is about to hire a slow, low-flying spy plane to terrorize those who do not have a £24 sprinkler licence. The pilot looks for a likely area and radios down to "sprinkler control vans" who move in for the kill. I am told by the company supplying the aircraft that if this doesn't work the next step could be to fit thermal imaging equipment which can identify and photograph well-watered lawns by their lower temperatures, allowing the authorities to move in with precision later.

Fever pitch

As Bobby Robson's men band prepared to meet Maradona and Co last night, Argentina's national cricket side, not generally considered to be at the forefront of the game, found themselves doing battle with the elements at Tamworth Cricket Club. The eleven were playing a rain-soaked friendly against the West Midlands side in preparation for the International Cricket Conference's Trophy at the end of the month. Special contingencies included a television laid on to watch the soccer from Mexico at the end of play. I am assured there were no tanks patrolling the streets of Tamworth last night. PHS

Salt is dead, long live Salt

Adam Roberts on arms control prospects after the latest superpower exchanges

The White House has declared that the Salt-2 treaty is dead. But it refuses to lie down. Although there are dozens of formal and informal agreements on arms control, there has been no previous case of a unilateral rejection by either Washington or Moscow of the terms of a major accord. If this situation is unparalleled, it is also absurd. Salt-2 was never ratified, was never in the strict sense legally binding and is past its stated expiry date. Yet it seems set for a long after-life.

It is not just the majority of congressmen, or the massed ranks of America's Nato allies, who still urge adherence to Salt. The White House itself says that any future arms reduction by the US would be based on Soviet behaviour in key areas — including compliance with Salt.

The Americans' stated rationale is the alleged Soviet record of non-compliance with arms control treaties in general and with Salt in particular. However, the persistent US complaints in recent years about non-compliance hardly constitute a sufficient basis for such a drastic step.

One of the main American complaints, relating to the alleged use of "yellow rain" by Vietnam, was almost certainly unfounded. The substance, although some relate to Salt clauses open to more than one interpretation.

The biggest doubt about the

American complaints is whether they add up to much strategically. The question whether the Soviet Union has improperly encrypted telemetry from missile tests, or whether a particular missile should be viewed as substantially new, is seen by many as relatively unimportant when set against the fact that the Soviet Union, like the US, is broadly observing Salt's numerical provisions.

All arms control accords contain an element of rough-and-ready bargaining, and raise problems at the ill-defined edge between permitted and restricted activity. Why, then, have such problems proved so serious as to lead to Salt's apparent demise?

Part of the explanation is the sheer difficulty of the attempt to work out some numerical equality of the intercontinental nuclear forces of two far from symmetrical states. But many other factors have been at work: not just the US view that Salt is flawed but also the extraordinary belief that the US is doing a favour to the Soviet Union by negotiating with it.

Some even more basic ideas have contributed to the American withdrawal: that only freedom can bring peace, and that Moscow can be forced to change drastically only through an arms race. There

may also be a more disturbing element: the wrecking of Salt may be the harbinger of an assault on the anti-ballistic-missile treaty which, while it is in force, must be a serious obstacle to President Reagan's Strategic Defence Initiative ("Star Wars").

The one factor missing from the American justifications has been a serious exposition of the likely consequences. This defect was highlighted in Senator Edward Kennedy's description of the rejection of Salt as a triumph of ideology over common sense.

If agreed numerical limits on intercontinental nuclear systems ceased to exist, the Soviet Union would be in a far stronger position to build up its forces than the US. Its missile production lines are working at a higher level than America's. Therefore it could increase its nuclear forces with minimum effort by simply not dismantling the old missiles which it has been disposing of in accordance with Salt.

Perhaps because of this, there have been notable elements of caution in the Reagan administration's fiscal objectives for Salt. For the time being the US is staying within the Salt limits by scrapping two of its missile-firing submarines.

If the US exceeds the Salt numerical limits later this year, it says it will do so by fitting an air-launched cruise missile to a bomber. As such missiles fly relatively slowly and are quite unsuitable for a first strike, this is hardly the most threatening way to break the treaty.

The US has also indicated that it is serious about seeking, at the Geneva talks, genuine reductions of nuclear stocks. Several proposals have recently been made.

The proposals unveiled by Mikhail Gorbachev on June 16 suggest that the Soviet Union too may be thinking about reductions in a more realistic way. However, to translate a broad proposal into an agreement, and then into a treaty, involves endless definitional wrangles and is bound to take years. In the meantime, the only agreement we have on strategic arms is Salt-2.

The German sociologist Joseph Schumpeter once wrote that "the dead rule the living". Salt-2 may be dead, but it is like the ghost that moved house with the man who moved in order to escape from it. It will still be around for a while, pending a better treaty or some more sensible strategic dispositions. Dead or alive, it will be quoted a great deal between now and the time of the threatened breach of its numerical limits. The author is Montague Burton professor of international relations at Oxford University.

Paul Johnson urges a full national debate on closer political union

There is something radically wrong with our political state of values. Last winter Parliament worked itself into a state of frenzy about a proposed change of control of the Westland helicopter company. Two cabinet ministers resigned. The Prime Minister's position was shaken, some said permanently. Yet when Westland was actually restructured no one in politics appeared to take the slightest notice, and the consequences are minimal.

In the meantime, the government has accepted, and Parliament is now enacting, legislative changes in our relations with the European Community which will affect the lives of every man, woman and child in this country. These changes are fundamental and irreversible. Yet the event is passing almost without comment. It has aroused no passion in the cabinet, in the Commons or in the media.

When Britain was deciding in 1972 whether to join the EEC, at least there was a national debate. In the subsequent referendum we all knew (more or less) what we were doing. Now we are taking a gigantic further step in our commitment to the Community, of comparable importance to the initial joining, and no one seems at all interested.

One reason is the sheer soporific effect of the leaden jargon with which the EEC conceals its doings. Just studying the three relevant parliamentary papers on the current proposal is enough to induce narcolepsy. Civil servants of a certain kind delight in this airless world; and they of course are in control of it. But for flesh-and-blood creatures, who like the clash and drama of politics, it requires extraordinary self-discipline and tenacity to master the subject, and very few do.

The somnolence with which Parliament has treated the question has been compounded by the trance-inducing character of Sir Geoffrey Howe. In so far as any cabinet minister is in charge of this issue, he is; and he has an extraordinary capacity — it almost amounts to genius — for taking the drama out of events, transforming anger into yawns and persuading politicians anxious to question him that they have another and far more urgent appointment.

He is as comfortable in the hands of his Foreign Office officials as a baby in a bassinette, and loves the experience. He radiates sleepy reassurance and supine complacency. It was quite true, he told the Commons Foreign Affairs Committee, that Britain had not got what she wanted in the negotiations. Rather the contrary, in fact. One the other hand, what had emerged was jolly good too.

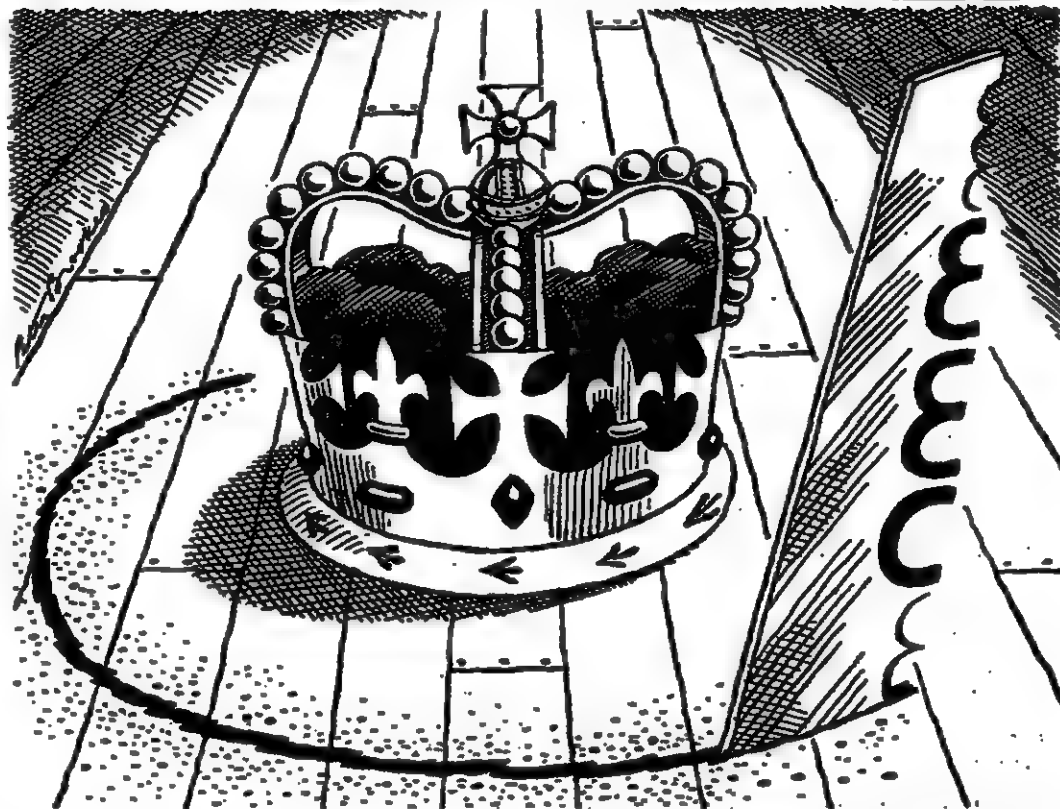
It would have been quite a different matter if Mrs Thatcher had taken an interest in this business. When she picks up an issue, instantly the air begins to crackle with tension, hackles rise, men unsheathe their adjectives.

But she has no enthusiasm for the EEC, which she regards as a regrettable necessity, and has little but contempt for its doings. Uncharacteristically, she has allowed herself to be persuaded by Sir Geoffrey that the bill now going through Parliament is unavoidable, part of the tiresome process of EEC membership, just more of the same.

The political buzz-word of the year is "caring", which is an ideological signpost and slogan rather than a description. By the next election it will have become so worn and tired that we shall have to find another word to encode for the job.

For a number of years a similar process of political erosion has been eating away at the attributive noun and adjective "community". The process is slower and less noisy than the worsening of "caring" because "community" is not in the political front line. But the linguistic shift still reflects the political argument.

"Community" is quite an old word in English, going back to at least the 14th century, and standing for the kind of abstraction loved by philosophers, politicians, scribblers, and others of the bossy classes. Jeremy Bentham got the best right: "The community is a fictitious body, composed of the



EEC trickery that Thatcher must halt

But it is not more of the same; it is a substantial dollop of something quite different. The title of the legislation, the European Communities (Amendment) Bill, is misleading. So, indeed, and perhaps deliberately, is the name of the international agreement to which it gives effect: "The Single European Act". It is not an act at all. It is, in effect, a completely new treaty, which ought properly to have been placed on a level of significance equivalent to that of the original Treaty of Rome.

For what the act, and therefore also the bill, do is what successive British governments have repeatedly said they would not do: take Britain into a European political union. Indeed the preamble of the act says as much. It will transform relations among the EEC states "into a European union" and it will "invest this union with the necessary means of action".

The select committee appointed by the House of Lords to scrutinise such proposals concluded bluntly and bleakly: "In the long term the position of the United Kingdom Parliament will become weaker." Again: "The powers of the United Kingdom Parliament will be weakened by the Single European Act. The committee draws this important fact to the special attention of the House."

The Commons Foreign Affairs Committee agreed with this verdict. The changes, it says, "signify a movement towards greater collective action in the Community". Two leading experts, Peter Horsfield QC and Leolin Price QC, state as their opinion: "The

act plainly involves important constitutional changes." It is "a step towards establishing a European political union".

In that case why was not the act called "The European Political Union Treaty"? And why was not the change presented to Parliament, and the public, as "an Act to Create a European Super-State"? The answer is that to do so would have been to tell the truth; and the EEC establishment, and our own government, know that the truth would be much more difficult for the public to swallow.

When Britain joined the EEC we had to accept that membership would involve some limitations to our national sovereignty. But the understanding was that these limitations were finite, and that they were plainly set out or implied in existing EEC legislation. Any further limitations would be carefully negotiated by us from a position of strength within the EEC. The symbol of this strength was to be our national veto.

The essential point of the new treaty is to abolish the national veto over the whole range of social policy. Within this area, Britain will no longer be able to impede further reductions of its sovereignty, however fundamental. For the absolute veto, the new arrangement substitutes what is called "qualified majority voting".

With the accession of Spain and Portugal, the number of votes adds up to 76. Britain, as a major member, has 10, no more than Ireland, Greece and Luxembourg together. Fifty-four votes constitute a qualified majority. So

Britain alone cannot block a measure; it cannot do so even in conjunction with another major member, such as West Germany, with which it has common economic interests.

An obvious danger is that the members of the so-called "Mediterranean bloc" will constitute the nucleus of a "natural majority" in the EEC, which with the help of some UN-style haggling will become an actual one, and turn Britain into a "natural minority" member whose interests are consistently overruled. This is not a theoretical possibility but a real one. Moreover, once the veto principle is breached, the extension of majority voting to all areas of policy will be only a matter of time.

The reference to the UN is not inapt, for there the maintenance of the power of veto in the Security Council has proved essential to the organization's continued existence. If the veto had gone, the position of Britain and the United States in that corrupt and evil Babel would long since have become intolerable, and both would have left it — as they have indeed left Unesco.

The EEC is morally and in almost every other respect a cut above the UN. But it is now a big and far-flung body including countries, such as Greece, whose past — and present — behaviour should induce caution. A close political union with such a heterogeneous group, whose decisions can be imposed upon us, against our will, not only by its laws but by our own, is something we should not accept without full national debate. Indeed, I believe we should not accept it at all.

For all these reasons I think Mrs Thatcher owes it to the nation to take up this subject personally and place the real issues raised by the bill squarely before the public. It would be against her nature, and in the highest degree dishonourable, to induce Britain to take so fateful a step by deception, subterfuge and camouflage. But that is what is happening. It must not be allowed to continue.

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Commune il faut

Philip Howard: new words for old

individual persons who are considered as constituting, as it were, its members. The interest of the community, then, is what? The sum of the interests of the several members who compose it".

It has become a vogue word since the war because of the various bodies of nations called communities that acknowledge unity of purpose or common interests, such as the European Community and the European Defence Community. It is, as its form shows, a close relation to communism. It is a huray-word, indicating approval; it is a word from the wet and pinkish wing of the political playground; and it is a

weasel word, sucking hard description out of the sentence in which it appears, and leaving a pious scent of incense in the air.

In the past 30 years or so we have coined "community" care, feeling, life, living, spirit and theatre. Your community centre originated in the United States and has come over here. Community singing is good fun for those who do it; but not necessarily so for listeners. In America a community college is a local institution offering courses for those who have left school. Community chest is a boring stack of cards in Monopoly, and an American charitable fund.

But apart from these quite concrete and descriptive uses, we now speak of the world community, the European community, the Roman Catholic or Protestant or Unitarian or Muslim or Flat-Earth community. Patients are discharged from hospital into the community, which can mean anything from being chucked out into the wicked world to being put under the care of the local authority. Community means the public at large. Community means anything you want it to mean.

It is a warm though woolly thing. In "Thought for the Day" and "Prayer for the Day", those remarkably silly BBC audibles for shaving to, it is par for the course for "community" to be used four times in as many minutes. When you hear "community", prick up your ears and ask yourself what is being implied. Good advice for any word; but especially for trendy about-words.

Anne Sofer

By jingo, what a goal!

Am I alone in being annoyed by the xenophobic tone of the British TV football commentators in Mexico? Patriotic fervour is one thing, but why the constant assumption that foreign players are by temperament more hot-headed, violent and deceitful than our own, and more often lucky than skilful?

Even their successes have to be expressed in terms of our own past heroes. "Oh what a magnificent save" shouted Jimmy (or was it John?), as the Moroccan goalkeeper leapt ten feet in the air, appeared to do a double somersault while airborne and bounced back to earth in the shape of a tightly rolled ball with the real ball at its centre. "That must be the best save I've ever seen from that part of the world." With massive generosity John (or Jimmy) replied: "I think you might even put it higher than that — there was a touch of the Gordon Banks about that one". And Gordon Banks' name having been introduced it is then available to keep the patter going for the next five minutes.

Of course it must be difficult finding things to say during the dead patches. This, in part, must explain the portentous tone and unctuous cadences with which these old pros invest the most mundane observations. If all you've got to say is "It's half time and the score is three nil", it can take three times as long transmuted into "And so... on the x team goes off... staring defeat in the face... to the changing room... will they find their courage there I wonder?..."

Some comments are acutely embarrassing. "Funny sort of country to choose to provide the referee for a match of this importance" remarks John (or Jimmy) about the Syrian referee in the England-Paraguay game. "Yes, even though he does apparently work as a full-time professional referee in his... Oh explosive dribbling on the far side there, well done..."

Needless to say the heights of denunciation were scaled when Gary Lincker was elbowed in the windpipe by an unidentified Paraguayan. The voice throbbed with emotion as a stretcher carried him from the field, "abused (pause), brutally (pause), deliberately (pause), cynically... by the South Americans... Here we see the full cynicism of South American football." Our hero laid low by a whole continent. Thereafter the Syrian referee won approval, despite the strangeness of his country of origin, by making a number of partisan decisions.

"He has kept them in check, this Syrian referee" they agreed, and commented favourably on his tendency to give the benefit of the doubt to the "more gentlemanly side". Our victory was a moral as well as a sporting one: "There's an old school saying 'cheats never win in the end'." And Jimmy (or John) sanctimoniously agreed.

I know there are many people

(mostly women) who regard football and all it stands for as the pits of male nastiness: macho, aggressive, competitive, incitement to hooliganism and nationalistic mob violence. Having spent more Saturdays than I care to remember as a coerced football fan I know what they mean. The swaggering and shoving and the foul language; the loose-jawed, slit-eyed, heavy-booted, lumpy stance even the most otherwise upright citizens feel obliged to adopt once they take their place in the stands... It all compares unfavourably with the atmosphere of other sports — the cosy, if commercialized, family feel of the New York Yankees baseball stadium, for instance.

Others see football rather as the liberal but fastidious soul sees pornography: a relatively harmless way of purging the distasteful appetites of man's baser nature. If they must attack each other, we say with a shudder, far better they should do it through this sort of silliness than by starting wars.

However, having got looked on as the male business, and having, against my better judgment, stayed up night after night until the early hours for the final whistle, and even the excruciating studio chat afterwards, I must, in self-defence, see more in it than that. Viewed objectively, sport — like art — is a uniquely human and very peculiar phenomenon. We create and agree on an arbitrary and meaningless set of rules within which we try to outwit each other; and more time, money and emotion is spent on the process than on many other far more material aspects of life.

The inflation rate, the growth figures, our position in the OECD league table, all have a far more profound effect on peoples' lives, but none makes the same impact because none appeals half as much to popular national pride. In our instincts we prefer the ritual demonstration to the statistical truth. And the element of ritual is strong — the colours and regalia, the referee's stylized gestures, the obligatory writhing in agony or kneeling in exultation after a goal... some of the footwork, filmed in slow motion, looks more like a dance.

Football may be the nearest thing we have to a world religion, and it is television that has made it so. It is a "common man's" game (who was the last public schoolboy to play for England?). The watching millions are made aware of all the other watching millions around the globe, sitting, at whatever inappropriate hour, around their flickering sets, on tenterhooks groaning, muttering, cheering in unison. It is oddly unifying, however absurd that it should be so. And, believing that in humanity's present predicament it should grab whatever hope of unity may be going, I just wish our commentators in future will be a little more balanced. Assuming, as I write, that England — deservedly, of course — are still in.

moreover... Miles Kingston

An A to Z of Azbeens

A new dictionary, published last week, takes into account the idiomatic way the English language is spelt. For instance, you can look up "psychiatrist" under both the letters "p" and "s". Apparently the book also caters for the fact that words are pronounced differently in various parts of the country, something never previously recognized by the average dictionary. "Average" is a word you could never apply to a series of realistic dictionaries to be published by Moreover Books. Look up "average" in the Dictionary of Regional Meanings and you will find that in southern England it means mediocre, middling, while in the north-east it means the number of runs that Geoffrey Boycott has scored this season divided by the number of times he has been out.

Look up the word "regional" itself and you will find that the English don't object to it but the Scots can't stand it. This is because, after the main TV news in the early evening, announcers say they are now going to the regions, at which point two million Scots rise to their feet, shake their fists and shout: "We're not a region — we're a country!"

Our new Moreover Dictionary of Instructions will come as a blessing to anyone who has read the instructions on a new purchase and still not understood what on earth they mean, especially if they use words like "mode", "activate" and "display", but especially "mode". The trouble is that most sets of instructions are written in languages which only seem to be English. Anything to do with computing or calculating, for instance, is written in inscrutable Japanese English.

Again, instructions on shampoo bottles are written in sub-Mills & Boon English ("To get the most wonderful sheen and a new springtime loveliness to your locks, simply...") and contain words like "sheen" and "locks" which today's teenager has never seen before. Bottles of mineral water, by contrast, adopt the English more suitable to Conan the Barbarian: "These waters were laid down aeons of time ago, under the great rocks of the Thracian plains, and have now forced their way to the surface, rich in those atavistic minerals

which..." and so on. Here are some getting near the territory of our Dictionary of Advertising Terms, which is a new-look, improved, value-for-money version of an old favourite. "New-look", as the dictionary will tell you, means "the same old product but a new package". "Improved" means "the same old product with exciting brown colouring added" and, of course, "value-for-money" simply means "you give us the money, we'll give you the product".

There is a new section to take advantage of the fact that British advertising is now conducted almost entirely in puns or rhyming slang and is thus incomprehensible to the rest of the world.

The Moreover Dictionary of Political Terms is an ambitious attempt to explain what politicians really mean. Some would say that politicians scarcely know themselves and that an attempt to explain it is doomed from the start — anyway, most of the time they'd be decoding coded messages to their colleagues, not to us.

Well, yes, you may be right, but seriously and I'm quite unambiguous about this — something has got to be done now, that is the consensus message we're getting back to us from the electorate, and of course we care, we care deeply, but you know, there's no point rushing into a solution which was tried by the Opposition in their term of office, and found wanting then. I'm sorry, what was the question?

Never mind about the questions — the answers are all in this book.

Finally, we think you'll like to browse through the more recherché parts of our list, such as Dictionary of Pretentious French Words like Recherche, Dictionary of Hard Words found only in Anthony Burgess Novels (3 vols); Learn to Talk Like Basil Rathbone and Understand Old Movies on TV; Dictionary of Argentinian Insults; and Dictionary of Media People Called Gary. Oh and don't forget the Dictionary of Kray.

What? That means Dictionary of Rhyming Slang. It's rhyming slang, see. Kray = Kray Brothers Gang = Rhyming Slang. Don't you know nothing?



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GARRET AND GOD

The Irish constitution reaches its fiftieth birthday next year and, like many such documents, advancing age brings increasing strains as the society for which it was originally designed changes around it. On Thursday, the Republic's voters take part in a referendum on the introduction of a limited measure of divorce, which is the latest in a series of issues which have arisen as a result of the social changes of the last half century.

In that time, Ireland has undergone profound demographic, economic and social transformations. It has a much younger population, which has become - in spite of current economic agonies - much better off and a higher proportion now lives in towns and cities. The social consequences of these shifts - which are paralleled elsewhere in Europe - have brought pressure for legal and constitutional change, particularly in the last two decades. At the same time, the troubles in Northern Ireland and debates over reunification have thrown into sharp relief the differences in moral law and practice on either side of the border.

The explicit recognition of the Roman Catholic Church's "special" position in Irish law and life has been removed from the constitution. After a bitter public debate, a ban on abortion has been included; the law on contraception has been progressively liberalised. In 1973 the Irish hierarchy accepted, for the first time, that the state's responsibility for the public good was not automatically the same as the

church's care for its flock. Since then, the balance of change has been in a cautious liberal direction and towards the separation of canon law and civil statute. In the current instance of the proposal to allow divorce (albeit only after satisfying stringent tests), public opinion appears to be slightly in favour of allowing the amendment. It is widely assumed that if the amendment falls this time, something similar will be passed within the next few years.

The battle pits those currently unhappy against those who might be made unhappy by a change in the law which brought a greater number of divorces in its wake. The current state of marriage, welfare and property law has created a growing number of anomalies, miseries and injustices left uncorrected by a civil law which does not recognize divorce at all. The campaigners against the amendment argue that it will create fresh sets of inheritance and property problems and, as elsewhere, licence an unstoppable increase in marriage breakdown. But this last claim rests on a presumed sequence of cause and effect which seems dubious. Divorce laws have often been liberalized or introduced in order to catch up with the state of broken marriages as they already exist. Other forces in culture, society and individuals dissolve marriages, and that in turn corrodes the usefulness of a law which further complicates matters if it takes no account of what is happening in ordinary life. The church rightly wishes to provide safety nets

against marriage breakdown, but it must find a more suitable one than the civil law. Thursday is an opportunity for a humane change.

The Irish Prime Minister, Dr Garret FitzGerald, has been careful not to overstate any hopes that the change, if it goes through, might soften the hearts of unionists in the north who object to any prospect of "Rome Rule". But the northern dimension is important not because of any possible effects of a change in southern law in the short term but because of the indirect influence of religion on communal division. It would be oversimplistic to say that religion is the root cause of violence in Northern Ireland, but de-nomination underpins and defines the separation of communities. That separation plays its part in maintaining old enmities. Any reduction in the avoidable frictions between religions which are practised by neighbours must play its part in reconciliation, however slowly.

But the true significance of the divorce referendum and other similar reforms may lie in education. There have been hints from Dr FitzGerald's direction that ultimately he might wish to loosen the church's grip on schools. Any change in the church-school relationship in the south would eventually produce pressures for change in the north. And any movement towards breaking down the barriers, both human and institutional, between the children of different communities would be welcome.

A NEIGHBOUR IN DEBT

Ever since the mushroom of international debt began to hang like a cloud over western governments, Mexico has been the critical factor. Poland worried European banks and their governments; Brazil stood out for the sheer size of its economy and its debts; Argentina's debt problem was magnified and complicated by the Falklands war. But Mexico is the intimate concern of the United States, and neighbourhood politics have both heightened and exacerbated financial relations. The abrupt departure of Mexico's respected finance minister has touched a raw nerve in Washington.

Mexico is just about eight times the size of the United Kingdom, and to much of America that ratio also measures the relative importance of its third-world neighbour and its first-world cousin. It was when Mexico warned that it was running out of money to repay its bank loans, back in 1982, that the problem of international debt forced its way on to statesmen's agendas.

For some time it seemed that Mexico might conveniently provide the exemplar for other debtors. Central and commercial bankers, officials of the US Treasury and the International Monetary Fund, could all point to Mexico as a case-study in skilful debt rescheduling and sensible institutional support.

In 1983-84, Mexico embarked on an economic

stabilization programme ambitious enough to satisfy the IMF, and came to terms with its bankers. Mr Jesus Silva Herzog, Mexico's finance minister, became an international figure of repute, until this week much favoured by Mexico's bankers to succeed President Miguel de la Madrid in two years' time.

Last year, however, fortune turned against Mexico. In human terms, the earthquake in Mexico City was the worst disaster, but it was the sharp fall in the price of oil that began last autumn which did most financial damage, crippling those whose grip on Mexico's finances were already slipping. Mexico lost sight of its IMF targets. A new round of negotiations with its lenders in the international institutions (behind which stands the US Treasury) began this year from the poor starting point of flagging output and rising inflation.

Worries about Mexico did much to explain the change of tune sung by the US Treasury Secretary, Mr James Baker, who last autumn launched an international debt initiative which talked much of support for growth policies and less of the need for economic austerity. A new package of support for Mexico, earning the confidence of the banks, was the first test of Mr Baker's initiative.

The task was nearly done. The US Treasury half-announced an international

package of public and private finance for 1986. In Mexico, the strains were too great. Mr Silva Herzog suffered the conventional fate of the go-between. His successor is said to subscribe to most of his views. It is not clear he has the force of personality to impose them on the rest of the Mexican government.

At the very least, the change of pilot will further, dangerously, delay a deal with the IMF; worse fears that Mexico may declare a moratorium, either in theory or in practice, are rumbling through Washington.

Such a development would cause wide ripples of damage. First, to the fragile illusion that the world debt problem, though serious, is under control. Second, to Mr Baker's resumption of American responsibility, through an initiative seen to have failed its very first test. Third, to Mexico itself, setting back the momentum of economic reform long overdue, painfully begun and far from complete. And fourth, to relations between the United States and Mexico, the one third-world country whose health and humour are of inescapable importance to the most powerful economy on earth. It should not be beyond American skill to devise ways of averting the danger, nor beyond Mexican sense - even without Mr Silva Herzog - to come to terms.

North and South

From Dr Peter Gold
Sir, I, too, saw the *Panorama* programme on unemployment referred to by the Reverend John Giles (June 16) and I felt a great sense of frustration at the mismatch between the geographical location of work available in the South and willing workers living in the North.

But the suggestion by Mr Giles, even if feasible, is not the answer. His call for Government assistance to bridge differentials in house prices so that people can afford to move south (a) assumes that the job-seekers own their own homes, whereas many will be council tenants who stand no hope of obtaining similar property in the South; (b) minimizes house-price differentials, which can be 100 per cent or more; (c) assumes that there are buyers for homes in the northern towns which can offer no jobs; and (d) accepts the notion that families should be expected to uproot themselves in order to find work.

I suggest that a more far-reaching - and I believe acceptable - solution should be sought. This country has long since needed a proper regional development policy, whereby central government would enable regions to attract investment through the establishment of regional development agencies and regional enterprise boards.

A solution to this problem will only come when we have a government which recognizes that there is life north of Watford and that people want to live and work there. It must be central

government's role to give the capacity to the regions to develop their own future.
Yours faithfully,
PETER GOLD,
39 Edgehill Road,
Sheffield, South Yorkshire,
S11 7JF.

Role of warships

From Dr T. J. G. Francis
Sir, I was intrigued by Lieutenant Colonel Wythe's assessment of the viability of the surface warship (June 7). It has been recognised for some time that the capital ships of today are nuclear submarines. But there is one function of surface ships which the submarine cannot successfully perform - "showing the flag".

This has been a traditional peacetime role of warships for generations, serving both to succour one's friends and to impress one's competitors. Nuclear submarines, however, are much too vulnerable on the surface and too valuable to be allowed to loiter about in foreign ports.

How then would this role be performed if the original players were no longer available? Indeed, is there still a role for warships to further a nation's political and economic aims in this way? A solution to this problem which France and West Germany have hit upon in the last ten years is to use their oceanographic research ships. These vessels regularly operate in the Far East and the SW Pacific, visiting countries such as Japan, Indonesia, Fiji etc almost every year. By contrast, no British oceanographic ship has operated in the eastern Indian

Ocean or the West Pacific in the last thirty years.
Yours faithfully,
T. J. G. FRANCIS (Head of Geology and Geophysics),
Institute of Oceanographic Sciences,
Brook Road,
Wormley,
Godalming, Surrey,
GU8 5PU.

Unfruitful sideline

From Dr Alan Bullock
Sir, This morning I received through the post a cheque for royalties which have accrued on one of my publications, which appeared a few years ago. A splendid large document accompanying this cheque, itself of no mean size, proclaims that I am the proud recipient of 96p, which I will no doubt have to declare on my next income tax return.

I would not claim that this is entirely typical of payments that those in my profession receive for the fruits of their scholarly labours; none the less those who currently hold universities and their staff in some disrepute might care to reflect on the implications of a situation in which this kind of thing can happen and, perhaps, cease to grumble or to marvel at the current attempts on the part of the Association of University Teachers to obtain a salary increase for academics.
Yours faithfully,
ALAN BULLOCK,
University of Leeds,
Department of Italian Language and Literature,
Leeds,
June 11.

LETTERS TO THE EDITOR

Fallibility of research assessment

From Lord Swann, FRS

Sir, One can well understand why, in the present climate, the University Grants Committee felt it would be prudent to attempt an assessment of the quality of academic research. But to judge from comment in your columns and elsewhere, it seems to have been an unfortunate exercise, on which it would be unwise to put much weight.

Some universities and some departments have scored well, which is pleasing for them. Others have scored poorly, which must be dispiriting. At the same time, as an erstwhile vice-chancellor, I am well aware of how readily the research quality of departments can change, for the better or for the worse.

What, then, is likely to be the net result of this assessment a few years hence? I hope it will not have generated too much satisfaction amongst the high scorers, with a possible decline in quality; and that the low scorers will have taken heart and proved their ratings wrong.

We hear a lot these days of the merits of "peer review" and it may, I suppose, be the best method we have of making instant judgements on the quality of research, but it is notoriously fallible. Research is most often undertaken when it does not fit in with current orthodoxies, or is deemed to be unfashionable. Yet it is from just these areas that important work often emerges.

S Africa sanctions

From Miss Cornelia Navari

Sir, Economic sanctioning is based on the notion that a state is not merely responsive to, but penetrated by and indeed dependent on economic interests. In South Africa it is not obvious that this is the case. The para-statal industries, occupying a very large part of the economy and employing some 30 per cent of the white population, were created and are supported by the state apparatus. Those who benefit from them are dependent on that apparatus for survival, not vice versa.

Government has also proved remarkably successful in pushing other key industries to adopt policies in keeping with its political postures, often against their own understanding of their "interests". Moreover, the large capital now floating about in the South African economy is going abroad, presumably to assure its own wellbeing there. Sanctions are likely to increase the flight of capital.

Secondly, the apparatus of repression is not primarily economic. It is through the manipulation of the legal order that not only apartheid but a position of unassailability by means of ordinary influence unique among Western administrations is maintained.

The few who are endowed by

Unfair gibe at Uruguayans?

From Mr Ralph Emery

Sir, Mr Simon Barnes, commenting in your sports columns today (June 18) on World Cup TV, may be justified in criticising the behaviour of Uruguay's professional footballers, but to aver that Uruguay has dealt itself a crushing blow, has made a billion enemies and that, in the eyes of the world, the entire Uruguayan nation is cheats is not only arrant nonsense, but it gratuitously insults a small but proud nation, friendly to Britain since we helped to establish its independence in 1828.

The writer is perhaps too young to remember the lone stand in South America taken by Uruguay at the outbreak of the Second World War in support of the Allied Forces and in particular the attitude of the people towards Britain in those heroic days. The episode of the German battleship Graf Spee, the volunteers who came over to join up, the collection of funds for Spitfires, the food and clothing parcels sent to the UK, the welcome given to British troops resting in Montevideo on their way home from other stations, all these were typical manifestations of Uruguayans as a people. They were, and continue to be, sincere, friendly and civilised.

Unfortunately, all sense of perspective seems to get lost among the minority of the world's population that watches football. It is no excuse for insulting an entire nation.
Yours faithfully,
RALPH EMERY (Vice-President, The Uruguayan Society),
11 Ironmonger Lane, EC2,
June 18.

Soil survey map

From Mr J. M. Hodgson

Sir, While accepting wholeheartedly Mr E. A. Edmonds's point (June 16) that systematic surveys of soils and geology are essential for our country's future I feel that he is a little out of date. In 1983-84 the generalised 1:100,000 soil map was superseded by a 1:250,000 map of England and Wales which was not based on extrapolation from Geological Survey maps but was derived by field survey during the previous five years. This map, with its six accompanying regional bulletins, provides a wealth of information about our soils which could not be obtained from geological maps.

Mr Edmonds also says that both surveys publish at the 1:50,000 scale; alas, this is no longer quite true as the Ministry of Agriculture has withdrawn funds from strategic soil mapping at this scale. Although there are four 1:50,000 maps in the pipeline none has yet been published.

Finally, although it is true that the two mapping programmes are not formally co-ordinated, funded as they are by different ministries and administered by different research councils, there have been close links at various levels for many years and we look forward to continued and increased co-operation.
Yours faithfully,
J. M. HODGSON (Chief of Field Surveys),
Soil Survey of England and Wales,
Rothamsted Experimental Station,
Harpenden, Hertfordshire,
June 17.

Increases compared

From Mr David T. Welch

Sir, In the Finance and Industry section of today's edition (June 16) your leading article states: "Factory pay rises down but still too high, say CBI".
The *Sunday Times* of the previous day tabled the 1985 pay increases of Britain's 100 top company directors. These averaged out at 28.3 per cent, compared with the 6.25 per cent for employees in manufacturing industry, which the CBI says is still far too high. Is this a case of "Do as I say, not as I do?"
Yours faithfully,
DAVID WELCH,
30 Sunnyfield,
Mill Hill, NW7,
June 16.

removal will not only open out the view to Kingston beyond but also highlight the large black "mushrooms" of clipped yew in the foreground.

The planting of 198 semi-mature trees is no guarantee of uniformity either, as they are difficult to establish and can grow at different rates according to their soil and situation. Infilling by planting in the existing open spaces and those created by removing the remaining old trees would preserve most of the screen, especially if larger trees were used.

The distress so drastic a solution as that suggested by the Department of the Environment would have on the general public who, when all the aesthetic arguments are exhausted, have to foot the bill, should also be considered. If the present avenue has to go I would question the use of *Tilia "Pallida"*, one of the large-leaved limes, as a replacement tree. The small-leaved lime (*Tilia cordata*) is a lively, liquid, moving tree, whilst the leaves of its larger brethren hang limp like wet handkerchieves.
Yours faithfully,
W. E. MATTHEWS,
Managing Director,
Southern Tree Surgeons Ltd,
Crawley Down,
Crawley, West Sussex,
June 16.

ON THIS DAY

JUNE 23 1870

Our Occasional Correspondent was Malcolm McColl, whose article exceeded 8,000 words

THE AMMERGAU MIRACLE PLAY

(FROM AN OCCASIONAL CORRESPONDENT)

OBER-AMMERGAU, JUNE 8.
Neither visitors nor natives, I take it, had much sleep here on Sunday night. A band of music paraded the village in the early part of the evening, and all through the night the air was alive with the sound of human voices, the tread of many feet, and the rumbling of carts and carriages, with now and then a boom of a gun.

The inhabitants began the day with solemn acts of worship to Him the details of whose passion were about to be acted before their eyes for thankful worship and edifying contemplation. There were masses every hour from 2 o'clock to 7. Our landlady had our breakfast ready for my friend and myself at 6, and we went our steps towards the theatre about 7. The day was gloomy. It rained all through the night and early morning, but now only a few drops fell at intervals. Still the weather looked anything but cheerful. The sky was leaden and sullen, and the surrounding mountains were covered with thick mist down almost to their base. On reaching the theatre a few minutes after 7 we found it full almost to overflowing, except the comparatively small portion which was roofed over. This was about half full. We presented the tickets which Herr Guttschall had procured for us, and were shown into the two best seats in the theatre - the arm-chairs intended for Royalty, which I mentioned in my last letter. Royalty had not put in an appearance on this occasion, and so our kind host managed to get the vacant chairs assigned to us.

Considering that the play lasted eight hours and a half, with an interval of an hour in the middle, it was a great boon to be seated in a comfortable arm-chair, with a ledge in front for one's book. Before the clock struck 8 the theatre was as full as it could hold, and presented a picturesque appearance. Every variety of dress was represented, from the last Paris fashion to the traditional costume of the Tyroler mountains, which consists of a shooting jacket, with green collar and facings, a waistcoat adorned with rows of shining buttons, short breeches reaching within two inches of the knee, and green woolen leggings which cover the calf, but leave the knee and about an inch of the small part of the leg exposed.

Here the writer began to describe in detail the action, scenes and incidents of the most remarkable relic still surviving of the old religious drama. I went to see it with very mixed feelings. From what I had heard and read I was prepared for a striking exhibition, but also half prepared for some rude shocks to one's natural sense of religious propriety. So impossible did it seem to represent on a public stage and in a worthy manner the sublime story of Gethsemane and Calvary. Well, I have seen it, and I shall go home with the conviction that the thing is not impossible where a vivid faith and an intense devotion are combined in the representation. I have never seen so affecting a spectacle, or one more calculated to draw out the best and purest feelings of the heart. It is, of course, impossible to answer for the feelings of others; but I can say for myself, and for several other spectators of the play whom I have consulted, that there was nothing from the beginning to the end that need shock the most sensitive religious instinct. We are too apt to forget that the deepest and the most lasting impressions are generally those which reach the mind through the eyes. A good portrait of an absent friend gives a far better idea of him than the most brilliant verbal description, and this is true in a special degree of minds not accustomed to trains of reasoning. By means of images imprinted on the eye their minds will grasp a in a few hours a whole series of facts which it would take months, perhaps years, to convey to the understanding without the aid of a pictorial representation, and even then the impression will not be half so real or so enduring as that which passes through the avenues of the senses. Here in a single day the history and destiny of the human race were engraved on the minds and hearts of some thousands of persons in a way they are never likely to forget.

Shunted

From Dr R. H. Mackay

Sir, With respect to Dr Black (June 16), "Hurrah, hurrah she's going to Crewe" would tell me more about the patient's doctor than the patient.
Perhaps the notorious delay in transfer of records has an advantage after all.
Yours faithfully,
R. H. MACKAY,
Temple House,
Station Road,
Churchdown, Gloucester,
June 16.

Knowing one's place

From Mr Joseph Xavier

Sir, Ever since I was a lad I have had an identity crisis. I thought I was a Negro, but was later corrected and told that I was coloured. However, a friend who looked much like me assured me he was African. Soon I was to discover that we were both black. But now, at last, I have truly found myself - I am of ethnic origin (caption, p. 2, *The Times*, June 17).
Yours sincerely,
JOSEPH XAVIER,
41 Windsor Road, W5,
June 17.

Making money out of money-making

Today an exhibition opens in London that celebrates the Royal Mint's 1,100th anniversary. Alan Hamilton meets the modern Mint's chief executive

Dr Jeremy Gerhard must be one of the only manufacturers anywhere who relishes the thought of inflation, normally regarded as the witches' curse of British industry. In fact he is not averse to a spot of revolution either, and unstable dictators who come and go with the speed of mayflies bring a rosy glow to his cheeks.

It must not, however, be rampant uncontrolled inflation, because people then start buying bus tickets with wheelbarrows full of paper money. And it must be said that, despite his vested interest in revolutions, Dr Gerhard would really much rather nobody got hurt. As for dictators, all he wants is their head on a plate — an engraving plate.

Dr Gerhard is chief executive of one of the oldest manufacturing institutions in Britain, and one of the best known. What is less well known is that since 1975 the Royal Mint, although wholly government owned, has been run as a commercial enterprise, and its officers are expected to make money out of making money.

Which is why Dr Gerhard likes inflation and revolutions: inflation means more demand for coins, and revolutions almost always mean that a country's coinage has to be entirely replaced to accommodate the benevolent profile of its new ruler. Not that he wishes either of those eventualities upon Britain; making the standard British coinage now accounts for less than a quarter of the Royal Mint's sales, and the major growth area is in manufacturing coins for overseas.

Over the 11 years since the Mint was put on a commercial footing, 34 per cent of its sales have been in making the UK coinage for circulation, 16 per cent in proof coins for sale to collectors, and 60 per cent in the making of coins for export. Export business is growing; in 1985 it supplied the coinage for over 65 countries, from Ascension Island to Zambia, and exports rose to 63 per cent of total turnover.

The Royal Mint is a separate government department and Dr Gerhard, its Deputy Master, who acts as its chief executive and accounting officer, reports directly to the Master of the Mint, a post held *ex officio* by whoever happens to be the Chancellor of the Exchequer of the day.

Since 1975 the operations of the Royal Mint have been financed by means of a Trading Fund in accordance with the 1973 Government Trading Funds Act. The only other bodies in a similar position

Profit in 1985 exceeded £5m

are the Crown Suppliers and the Stationery Office. It means in effect that the Royal Mint has to be managed as a commercial enterprise earning sufficient profit to pay interest on its loan capital and to pay an adequate dividend on its public dividend capital.

Its corporate plan covering a five-year period is "rolled forward" each year and is an important instrument of management control. At the end of each financial year the audited accounts are published as a White Paper and in an annual report. Operating profit has been variable, but in 1985 still reached just over £5 million.

Making the standard British coinage offers the Mint the least opportunity for commercial enterprise. As Dr Gerhard explains: "The UK coinage is a monopoly — our only market is restricted. We have to produce it within a standard cost. We are not concerned with the face value of coins. We make



and sell pieces of metal. When we deliver coins to the banks we collect the face value and pass it straight on to the Treasury."

But the UK coinage is still big business. In April of this year approximately 11,500 million coins of all denominations were in circulation, of which 72.5 million were £1 coins. During the 1985-86 financial year the Royal Mint struck a total of 173 million £1 coins.

Coin is curious stuff, and not at all like paper money. You could, in theory at least, deposit a £1 note with the

Bank of England and earn interest on it, but you can do no such thing with a £1 coin. There is a net loss of coins every year; they just disappear, presumably down the backs of the nation's sofas.

Every Monday morning, the Mint meets representatives of the clearing banks to inquire how much coin they will need for the following week. Bank A may be accumulating vast amounts of coin, from vending machine operators down to an amusement arcade, while Bank B may be paying out equally large amounts. Demand for coin



Change in time: Dr Jeremy Gerhard, the Mint's chief executive, and (above) making coins at the Tower of London in 1809

can rocket if, for example, a packet of cigarettes rises from £1.20 to £1.22.

By far the commonest coin at present is the penny, with nearly 4,000 million in circulation. It is the one British coin whose cost of production is now coming perilously close to its face value, and will exceed it if there is a rise in world copper prices. Next commonest are the two pence, at 2,549 million, and the five pence at 1,933 million.

Since Dr Gerhard took over at the Mint in 1977, there have been only three new coins issued: the 20p, the £1, and the new £2 commemorative for the Commonwealth Games, of which just under seven million are in circulation. The £2 is definitely a one-off, Dr Gerhard insists, and there are no plans to introduce it into the coinage in large numbers.

Part of Dr Gerhard's function is to advise ministers on

the coinage, although it is they who have the final say. There was some discussion on whether to introduce a 20p or a 25p coin; the purpose was to reduce the weight of 10p coins in circulation in readiness for the £1 coin. It is a mathematical fact that a 20p coin will

New 20p coin 'a great success'

dispose of the need for more 10p coins than would a 25p, so 20p it was.

Dr Gerhard and his colleagues listen to many submissions when a new coin is in preparation, chief among them the views of the vending industry and of the blind.

"There is no doubt that the 20p was a great success," he said. "I am afraid that we greatly underestimated the demand for it. With its raised rim, it was designed very much with the blind in mind. The £1 was also designed for

the needs of the blind, being very thick. Originally it was going to be much thinner, to suit the requirements of the vending industry, but the blind took precedence."

Nevertheless the operators of vending machines are a powerful voice in coin design. "One of the factors leading to the £1 coin was London Transport's demand for a high-denomination coin so that they could sell higher-priced tickets for their longer Underground journeys from ticket machines, to cut queues at the booking office window."

Some vending machines are now highly sophisticated, and coins have to be made from an alloy that their electronic sensors will be able to identify as the genuine article.

"The coinage changes by evolution, and very slowly, except on very rare occasions like the introduction of decimalization," says Dr

Gerhard. "Generally it is a slow process of inflation, with the lowest denomination dropping off the bottom, and high denominations being introduced at the top."

"The British do not, on the whole, like regular issues of commemorative coins, except on the rarest, and usually Royal, occasions, like a Coronation. We thought it most unlikely, for example, that Britain would wish a World Cup commemorative — whatever the results from Mexico."

The British may not like commemorative coins, but they are extremely fond of medals — 650 awarded in the recent Queen's Birthday Honours. It is another side of the Royal Mint's work which Dr Gerhard, a distinguished career civil servant, advertises proudly on his lapel when he is in full formal dress. His insignia of a Commander of the Order of Bath, naturally, he made himself.



Roger Bannister (England) Gold Medalist at 1 mile — 1954
Peter Snell (New Zealand) Gold Medalist at 800 yards and 1 mile — 1962
Kip Keino (Kenya) Gold Medalist at 1 mile — 1966 and 1500 metres — 1970
Steve Cram (England) Gold Medalist at 1500 metres — 1982



The 1986 United Kingdom Proof Gold Set comprises: Sovereign, the new Double Sovereign and Half-Sovereign

On your marks, get set...gold.

Celebrate the 1986 Commonwealth Games with limited-issue gold and silver coins from the United Kingdom...but hurry.

In 1954, at the then British Commonwealth Games, Roger Bannister made history by breaking the 4 minute mile...again.

In the 1966 Games no less than 15 world records were broken in the swimming events alone. Undoubtedly, in the summer of 1986, more records will fall and new stars will emerge at the XIII Commonwealth Games in Edinburgh.

To mark this historic occasion the United Kingdom has taken the unprecedented step of issuing a very special new coin. The new United Kingdom £2 coin.

THE FIRST EVER LEGAL-TENDER COIN FROM THE U.K. TO MARK A SPORTING EVENT

The 1986 £2 coin is in itself a piece of history. Because it is the first ever legal-tender coin from the U.K. to mark a sporting event. This is good news for collectors of British coins. And also for the growing number

of collectors who specialise in coins depicting sports.

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Now, you can be one of the few — throughout the world, to own this historic coin (the Double Sovereign) in gleaming 22-carat gold. Either on its own, in an elegant presentation case, or as part of the 1986 3-Coin Proof Set.

In addition to the new Double Sovereign, the 1986 Gold Proof Coin Set comprises two famous British coins: the Sovereign and Half-Sovereign.

A maximum of only 12,500 sets will ever be issued. And only 5,000 Double Sovereigns, 12,500 Sovereigns and Half-Sovereigns will ever be available individually.

THE 1986 SILVER PROOF COIN

This is the first ever £2 coin to be struck in silver. Until now, it has only been available in gold. Like the 1986 gold version, the reverse design depicts St. Andrew's Cross together with a Scottish thistle and victor's crown of Laurel leaves.



The 1986 3-Coin Proof Set comes in an elegant blue presentation case.

The obverse bears the new portrait of Her Majesty the Queen by the artist Raphael Maklouf. The silver coin is struck in sterling (.925) silver to the highest quality-Proof standard. Only 75,000 of these superb coins will ever be issued.

ONLY LIMITED QUANTITIES ARE NOW AVAILABLE

Taking into account that issues are limited and demand is likely to be high from collectors throughout the world, please place your order as soon as possible.

COINAGE SPECIFICATIONS

Denomination	Composition	Standard	Diameter	Weight	Worldwide Issue
1986 3 Coin Gold Set	see below	see below	see below	see below	12,500
1986 Double Sovereign	22ct gold	proof	28.4mm	15.98g	5,000
1986 Sovereign	22ct gold	proof	22.05mm	7.98g	12,500
1986 1/2 Sovereign	22ct gold	proof	19.3mm	3.99g	12,500
1986 £2 Silver	Sterling Silver	proof	28.4mm	15.98g	75,000

The new £2 coin, like the UK Crown, is not intended for general circulation. It is purely a commemorative issue.

Every year, the Royal Mint issues a complete set of all the circulating coins of the United Kingdom. These are struck in base metal (non-precious) to gleaming Proof quality.

The 1986 3-coin Proof Set shown above, comes in a deluxe red leather case.

This year's set contains the new £2 and the new Northern Ireland £1 coin.

The race for all these beautiful coins has already begun. Please complete the coupon below and dash along to your nearest post box.

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The 1986 UK Gold 1/2 Sovereign at £79.95 (Code: DW03)	
The 1986 UK £2 Silver Proof Coin at £21.95 (Code: COU KPX)	
The 1986 UK Base Metal Proof Coin set in Deluxe presentation case at £28.25 (Code: D86 DX)	
All prices quoted include VAT and delivery charges. Please allow up to 28 days for delivery. All orders are subject to availability. Any orders received once the issue limits have been reached will be returned promptly. I wish to pay for my coin(s) as follows:	Total
<input type="checkbox"/> CHEQUE made payable to The Royal Mint.	
<input type="checkbox"/> DEBIT MY ACCESS <input type="checkbox"/> VISA <input type="checkbox"/> card account.	

Account No. _____ Expiry date _____

Signature _____ Date _____

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Royal Mint

86 TT

The new Double Sovereign, Sovereign and Half-Sovereign are available individually, in plush presentation cases.

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shout-words.

rich in those stavistic minerals you know nothing?

السلامة

FOCUS

THE ROYAL MINT/2

The first silver penny, despite marauders

It is not surprising, the Chinese who are generally credited with the invention of coinage, at a quiet moment in their history around the second millennium BC when they were not otherwise engaged inventing gunpowder or printing. The earliest types were small-scale bronze production of common barter objects, like knives or spades.

Croesus of Lydia, the ancient kingdom of Asia Minor, acquired his reputation for legendary wealth at least in part because he was among the pioneers in the west of the idea of gold and silver coins in the 6th century BC. But the wild tribesmen of Britain did not hear of the notion of precious metal tokens to replace barter until much later.

Minting began among the Celtic tribes of Britain in the first century BC. The earliest coins, crude imitations of those circulating in what is now southern France, were cast in moulds, but the Celtic moneyers soon learned the superior skill of striking coins by hand in dies.

Celtic coinage disappeared with the arrival of the Romans, who brought their own currency into general circulation. For a time at the end of the third century AD Roman coins were actually struck at a mint in London. It was of uncertain location and brief life.

For at least two centuries after the Roman withdrawal no coins appear to have been struck in Britain. But following the consolidation of the English kingdoms, a London mint was in operation again soon after 650 AD, producing gold coins at first but soon switching entirely to silver. These silver coins, known as *scutellates*, are the first English pennies.

Their existence was at first precarious, and it was only one of many mints up and down the country. It was of lesser importance than the mint at Canterbury, and its production was more than once interrupted by attacks from marauding Danes.

In 886 AD Alfred the Great occupied London and, according to the Anglo-Saxon Chronicle, "all English people that were not under subjection to the Danes submitted to him." Alfred celebrated his success

with a large issue of silver pennies from the London mint, with his own stylized portrait on the obverse and the name "Londonia" in the form of a monogram on the reverse.

That issue provides the earliest reliable origins of the Royal Mint, and it offers the excuse in 1986 to stage an exhibition celebrating 1,100 years of minting history.

At that time London was one of 30 or more mints, which by the reign of Ethelred in the late 10th century had grown to more than 70, mostly in southern England in all the major market towns. The idea that manufacturing money should be a Government monopoly was still a long way off. The coins were made by local "moneyers" to satisfy local needs, in an age when travel to the next town was not an undertaking to be viewed lightly.

By the time of the Norman Conquest their number was in decline, and from the early 13th century minting was

confined mainly to London and Canterbury. From mid-16th century, London's monopoly was virtually complete.

The death of private enterprise coin manufacture appears to have been signalled in 1279 by the appointment of William de Turnemire as master moneyer throughout

England. He had charge over the provincial moneyers and the several moneyers in London who had their workshops in Old Change, conveniently near the goldsmiths' quarter in Cheapside.

From Turnemire's time, minting became an altogether more regulated business. He moved coin manufacture from the blacksmith's shop of the back streets into the Tower of London. Here the Mint was

to remain for 500 years, and he introduced new denominations of halfpennies and farthings, abolishing the old practice of giving change by cutting silver pennies into halves and quarters.

Gradually weight and fineness of metal became carefully regulated. The Trial of the Pyx, first recorded in 1282, was instituted to have the coinage tested by an independent jury, mainly to ensure that the Master of the Mint was not debasing it for his own profit.

By the middle of the 14th century the whole of the coinage was more or less concentrated in the Tower, although other mints occasionally functioned from time to time. The few remaining ecclesiastical mints stopped during the reign of Henry VIII, so that from then on, except at exceptional moments like the great debasement of the coinage between 1544 and 1551, or the silver recoinage of 1696, all the

In the 13th century coinage was moved from back-street shops to the Tower



Fifty years ago: The reducing room at the Tower, 1930s

The difference a new head of state can make

During its first ten years as a commercial operation, between 1975 and 1983, the Royal Mint's cumulative sales amounted to £607 million, of which 60 per cent represented export work.

In the current financial year, total sales are expected to exceed £710 million, of which £400 million will be from overseas sales to more than 70 different countries.

Export business has long been a major part of the Royal Mint's output, and not just from standard coinage for foreign countries. British coins also sell well among foreign collectors. Last year for example, the Mint sold £15 million worth of proof coins to North America.

Competition to manufacture coin is intense. When the Royal Mint tenders for an overseas contract it finds that its most regular competitors

are the government mints of Canada and West Germany, with France and Brazil not far behind.

Countries regarded as the best potential export markets are those with moderately high inflation which leads to an increasing demand for coin. Or those which change their head of state frequently, necessitating a change in the ruler's portrait on the obverse of the coinage. Unofficially, South America is regarded as a good market. Mexico is a prime example of a country with a high-inflation economy which is regularly in the market for more coins to be manufactured.

To comb potential export market, the Royal Mint has for some years been a member of a consortium whose other members are the Birmingham Mint, Imperial Metal Industries, and the banknote printer

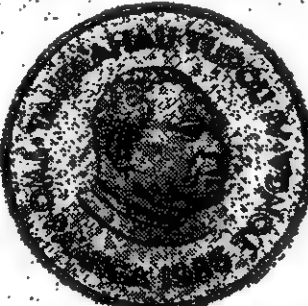
Thomas de la Rue. The latter company, which has extensive contacts with foreign finance ministries because of its highly successful banknote business, acts as agent for the Royal Mint in many countries.

"Most countries want their coin struck by another government mint rather than by a private manufacturer, because it gives them a feeling of much

A measure of the Royal Mint's success in winning overseas coin orders is the fact that it has won the Queen's Award for Export Achievement three times. Orders also include military and civilian decorations and medals, special proof and high-quality uncirculated coins in gold, silver and base metals, commemorative medals for governments, learned societies and private companies, and royal and official seals.

improve the entire range of coin and medal design.

The unique partnership between the Royal Mint, representing the government, and the Birmingham and IMI Mints and De La Rue, representing the private sector, has brought Britain over £400 million in export orders in little over a decade.



The Tongan Two Pa'anga

better security," according to Dr Jeremy Gerhard, deputy master and chief executive of the Royal Mint.

Nevertheless about one-third of the export business won by the Royal Mint, either directly or through de la Rue, is sub-contracted to the privately-owned Birmingham Mint and the IMI Mint in the same city. "The arrangement gives us great flexibility, and enables us to fulfill big orders very quickly," said Dr Gerhard.

The Royal Mint also operates, in conjunction with De La Rue, a joint company known as Royal Mint Services Ltd, which provides advice and technical assistance to foreign mints. It can draw on the experience of its own plant at Llantrisant. This contains some of the most advanced coin machinery in the world, with presses capable of producing 500 or more pieces per minute. With a potential output of 2,000 million coins per year, Llantrisant has a greater capacity than any other mint in Western Europe.

Export business is not confined to mere manufacture. The Royal Mint's tenders just as frequently include the offer to design the coinage, and a wide range of advisory services. Since 1922 there has been a Royal Mint Advisory Committee, currently under the presidency of the Duke of Edinburgh, whose task is to

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Of course, the new £2 coin is not quite so rare as the old coin. Nor is it quite so valuable—after all, the 1823 coin was cast out of solid gold. But the new £2 coin has been specially designed to commemorate the Commonwealth Games. And as they've become known as the "Friendly Games," we think this gives the coin a unique value of its own. So in 1986, make sure you don't miss out. They're available at all post offices, for just £2.



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English oak (1987)



Scottish thistle



Welsh leek



N Ireland flax



Charles II crown



Cresswell half-crown

When the proof is in the finishing

There is a world of difference between
minting, and making money for yourself.
No-one should know this better than the
six engravers at the Royal Mint. Al-
though they are at the creative end of the
coinage business, they earn less than
comparable grades in the Civil Service.
Their union is negotiating an increase
designed to bring them nearer to parity.

The engraving studio is where it all
starts. Orders come in from many
countries, some specifying their designs,
others requesting suggestions. They all
fall in the lap of H.T. Elsasser, Chief
Engraver for the past six years, who has
been with the Royal Mint since 1969. Mr
Elsasser not only does the initial
engraving but often provides the design
as well.

Other designs go out to competition
and the man who probably ought to be in

circulating coins that are produced by
the Royal Mint. There are also com-
memorative seals, medallions and spe-
cial coins, such as that which has been
struck to mark the wedding of Prince
Andrew and Miss Sarah Ferguson.

And there are proof coins, regarded as
the finest example of the art of minting.
They are often struck in precious metals
such as gold or silver. Though the
processes involved in the production of
proof coins are basically those used in
the manufacture of ordinary coins, there
are several painstaking differences.

Blanks are carefully selected and then
burnished or buffed to give their surfaces
a shining finish. The burnishing of
blanks is done in a vibrating drum using
a small steel ball, while for the buffing
process the blanks are mounted on
rotating spigots and passed under a
polishing mop.

The dies too are specially selected and
prepared to ensure that the design detail
is extra sharp. The relief design of proof
coins usually has a frosted finish to
contrast with the polished mirror-like
background. This is achieved by first
blasting the dies with very hard particles
to produce the 'frosted' effect and then
carefully polishing the flat surface of the
die with diamond paste.

These specially prepared dies and
blanks are brought together for striking
in a dust-free atmosphere, the handlers
wearing gloves. Each blank is placed in
the coining press and often struck two or
three times to achieve perfect clarity of
design detail.

Mr Elsasser and his team will probably
start with a design on a piece of paper

and then produce a model in plaster
many times the actual size of the
required coin. From the model is taken a
rubber 'mould' which is electroplated
successively with nickel or copper.
Peel away from the rubber, this yields a
replica of the artist's model in metal —
what the coin makers call an electrolyte
and the layman would see as the
template.

The template is mounted on a
reducing machine where its details — the
base relief engraving — are scanned in a
fine spiral by a tracing needle at one end
of a rigid bar. The oscillations imposed
on the tracer are repeated by the bar in
reduced amplitudes to a rotating cutting
head which copies them on to coin scale
into a block of soft seal. After heat
treatment, this becomes the hard reduc-
tion punch.

Final details on die inserted by hand

By use of a hydraulic press, this punch
is then impressed into a further piece of
soft tool steel to produce a matrix. Any
details of the design which may have
been omitted from the artist's model,
such as beading around the circumfer-
ence, are then inserted by hand, after
which it is hardened. The matrix, in
effect, becomes the master die from
which further punches — working punches
— are produced in the hydraulic press
and these in turn are used to produce as
many working dies as required.



Craftsman checking gold proof coin

Michael Hatfield

Everything for the collector, and the choice is vast

Coin collecting is more wide-
spread than is popularly sup-
posed. The legacy of most
foreign holidays is to be found
in those caches of pesetas,
centimes and crumpled li-
notes lying about in odd
corners and inevitably forgot-
ten when the next holiday
comes around.

But as a hobby coin collect-
ing can start from small
beginnings and those few
coins may stimulate an abid-
ing interest for a child which
will give pleasure for years to
come. Collecting need not be
associated with the outmoded
image of someone secretive
and solitary, bent over coins
of priceless worth.

Once regarded perhaps as a
rich man's hobby and the
preserve of the historian and
academic, it is today a pursuit
that with care and judgment
will reap intellectual and aes-
thetic rewards at fairly moder-
ate cost. At the same time it
will broaden horizons by in-
culcating a new perspective on
the history of man, on geogra-
phy of the old world and the
new and on the economic
patterns that have shaped his
environment.

To learn that in order to
raise money, Henry VIII pro-
gressively diminished the pur-
ity of gold and silver coin, is



A cascade of blanks pouring out at the Mint

to bring history suddenly alive
(fortunately Elizabeth I under-
took a complete recoining and
killed "the hideous monster of
the base moneys.")

The would-be collector is
first of all faced with a choice
he may well find awesome.
Where to start, which coun-
tries or all countries, old coins
or modern coins? No wonder
the early and investigative
mind reels the more it looks at
the possibilities.

Most dealers will recom-
mend some form of specializa-
tion, whether by nationality or
period to limit the field at the
outset. It is not merely a
question of acquisition. The
idea is to become expert in any
chosen field by building up
knowledge of the subject. How
else will judgment be exer-
cised when faced with a
decision to buy?

Because of their availabil-
ity, modern coins are often
suggested as a starting point
and there is no lack of choice.

Coin Club boost for young enthusiasts

Some collectors will favour
designs by theme such as
transport, wild life, flowers or
some other subject that ap-
peals to their imagination.

The Royal Mint is quite
busy — during April this year
11,500 million coins of all
denominations were in cir-
culation — but it still finds time
to engage in some special
marketing on the side through
the Royal Mint Coin Club.

It was in 1970 that the Mint
set up a numismatic bureau to
help the collector of modern
coins by means of an infor-
mation service on all new issues.
The bureau was renamed in
1981 and the Coin Club
membership now stands at
more than 300,000.

Enrolment is free and mem-
bers receive a regular news-
letter and brochures of new
products.

Mail orders are collated by
computer and then passed to a
mailing house which operates on
a "first come, first serve" ba-
sis to ensure a fair distribu-
tion of new coin sets. This is of
special importance when a
new issue is in great demand.

The Coin Club sees it as a
prime function to encourage
the young collector and sales
are often geared to simple
presentation folders contain-
ing a single coin such as the
Welsh 1985 £1 struck in
brilliant uncirculated quality
(one of many technical terms
in the language of the numis-
matist). This retails at £2.60
while slightly more up the
scale, specially struck samples
of all UK circulating coins are
on offer for £4.50.

The schools are not forgot-
ten and the Coin Club markets
information packs. These

show the history of coinage
from Roman times, with wall
charts illustrating the manu-
facturing of coins, the devel-
opment of the Royal Mint and
the coins the Mint has pro-
duced for about 90 countries.
Given sufficient support, it is
hoped that shortly it may be
possible to set up a young
collectors' club.

The first thing a beginner of
any age must learn is familiar-
ity with the terms used in
describing a coin's condition.
It is a maxim of the trade that
the more common the coin the
better the condition must be
as it is mainly the state of
preservation that determines
the price.

Coins are graded as Fleur-
de-Coin (FDC) — flawless;
Uncirculated (UNC) — new
condition but not perfect;
Extremely Fine (EF) — little
sign of having been in cir-
culation, though showing faint
wear on close inspection; Very
Fine (VF) — some wear on
raised surfaces but only lim-
ited circulation; Fine (F) —
considerable signs of wear on
raised surfaces or weak design
throughout faintly striking; Fair —
worn; Poor — very worn and
of no value unless extremely
rare.

Because coins can be easily
damaged the rules on cleaning
are precise. Beginners soon
learn that careless cleaning
can easily diminish the value.
Soap and water is recom-
mended for gold and silver
when really necessary, but it is
well to remember that the
patina of a coin will not
always weigh against it. This is
not a remedy for copper and
bronze coins, which should
only be lightly brushed.

Housing a collection needs
consideration as loose coins
are easily marked and also
deteriorate according to cli-

mate. Coin envelopes of dry
paper, albums with plastic
pages and cabinets of seasoned
wood will all offer adequate
protection.

Tips of this sort prove
useful to the beginner joining
a local numismatic society.
The societies often provide
programmes of lectures and
exhibitions. Details of where
to find them can be obtained
from Peter Clayton, president
of the British Association for
Numismatic Societies, c/o
R.A. Seaby Ltd, 8 Cavendish
Square, London W1M 0AJ.

Societies give tips on care

Two organizations catering
for the serious collector are the
Royal Numismatic Society,
founded in 1836, and the
British Numismatic Society,
founded in 1903. Both share
one of the best specialist
libraries, housed in the War-
burg Institute, University of
London. The BNS has a junior
section up to the age of 21.

Two trade monthlies cater
for the dealer and the amateur
enthusiast alike — *Coin
Monthly* and *Coin and Medal
News*. These are invaluable to

the beginner who needs to
know details of dealers and
their specialties. Additional
information can be obtained
from the secretary, British
Numismatic Trade Associa-
tion, 3c Earlsdon St, Coventry
CV5 6EP, who will provide a
register of dealers and address-
es on request.

Recommended publica-
tions include *Coins Market
Values* (published by Link
House Publications), *Collect-
ing Coins* by Frank Purvey
(Seaby's).

Coin fairs which attract
annual interest are Coinex,
held in London in October,
and Coinex North, which
takes place in Manchester in
April. Both are organized by
the British Numismatic Trade
Association.

An additional draw this
year for the collector is an
exhibition at the British Mus-
eum entitled "From cowrie
shells to credit cards." This
draws from the museum's
unrivalled collection to trace
the story of money from its
earliest recorded beginnings in
ancient Mesopotamia. The
exhibition runs until October.

Patrick Davis

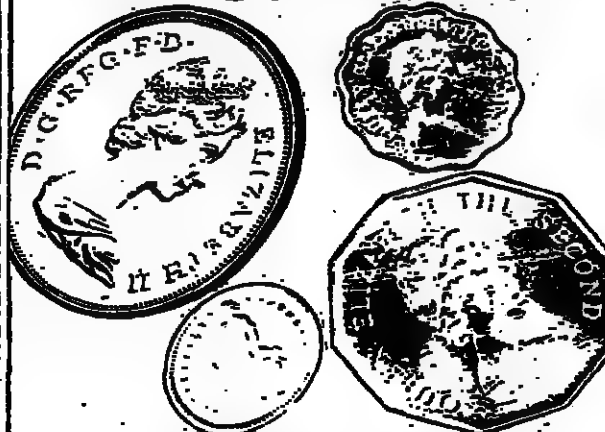
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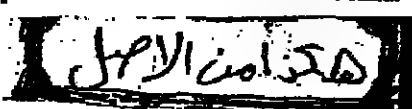
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A cornucopia of coinage

They pour out in their thousands, making pub fruit machines look positively barren. One machine, and there are 30 of them, can regurgitate coins at the rate of 400 a minute. It is the cornucopia of coinage, the Royal Mint.

Twelve miles from Cardiff at Llantrisant, where workers and visitors are dispossessed of their loose change on security grounds before they enter the plant (to be returned when they leave), the Royal Mint is producing 1,500,000 million coins a year. Starting for domestic consumption, rupees for India and dinar for Iraq are among the products.

With an expected £70 million turnover this year, 60 per cent of Royal Mint production is for overseas purses. The £ in your pocket costs less than 20p to produce, but nobody, for commercial reasons, is prepared to own up to the exact figure. Even questions have been asked in the House of Commons about the true cost, but answers from ministers have always been an approximation.

The manufacture and preparation of the blanks from which the coins are struck begins in the melting, rolling and blanking unit, an aeroplane hangar of a place, full of the noise of machinery and the smell of metal.

Huge electric furnaces devour with intense heat copper ingots, little brickettes, zinc slabs, tin strands and processed scraps. The raw material is made up into "furnace charges" containing the constituent metals in the appropriate proportions for the alloy required.

There is also a relative newcomer which has invaded the traditional province of the metal used in the minting of coins during the past 1,000 years or more - aluminium.

It has now established a small niche in the coin market, and aluminium alloy coins minted in the UK are used in various parts of Africa and the Far East. They are areas which prefer the lightness - not to say the lower cost - of the aluminium coins to the heavier weights of other metals.

Aluminium has not, so far, been used for currency in the UK, but millions of tokens

coins for a variety of commercial uses have been stamped out in recent years, using the aluminium alloy from British Alcan Sheet at Rogerstone in South Wales.

Though soft in its pure state, the aluminium is given the required strength and hardness for coinage by the addition of a small percentage of magnesium and other elements.

The "charges" are first melted in primary electric furnaces at temperatures which exceed 1,000 deg C. Then the molten metal is poured into the holding and casting furnaces. These have a maximum capacity of 1,500 kg and provide a sufficient store of metal to enable casting to be continuous from pours from the melting unit.

Each furnace is fitted with two special graphite dies and slabs are continuously cast by withdrawing metal through

First 'meltdown' is at 1,000 deg C

these water-cooled dies. Temperatures vary, depending on the metal: 1,310 deg C for cupro nickel, 1,210 degrees for coinage bronze.

The slabs are reduced to 3mm coils, which then go to the finishing mill where reduction to coin thickness is completed.

The coil is fed into one of the blanking presses where discs (called blanks) of a size matching the coin for which

they are being produced are cut from the strip. These blanks are passed to another area for the next process and the perforated strip - 40 per cent of its original weight after the blanks have been punched out - is recoiled and taken back to the furnace.

Meantime, the blanks are on their way to the next stage - the Annealing and Pickling Unit where they are prepared for striking in the coin presses. The blanks are annealed (or softened) by passing them on a metal belt through a gas-fired furnace at temperatures of 750 deg C for bronze and 900 degrees for cupro nickel.

Once softened, the blanks are transferred to the automatic picklers where they are loaded into perforated metal drums which rotate them through an acid solution to remove stains.

So far they are worthless, blank pieces of metal which may have a utilitarian value but wouldn't pay for a bus fare home or buy a poppadom in Pershaw. It is when they are stamped by the prepared dies that they are transformed into currency. The coins are fed

THE ROYAL MINT 1100 YEARS IN MINTING

into the coining presses by hopper and the stamping of the obverse and reverse designs and, where required, the milling on the edge, are carried out simultaneously on the press.

A press - there are 60 of them - can churn out coins at the rate of 400 a minute. With most of the presses, the blank is automatically placed on top of the lower die and held in position by a restraining collar, which will be plain or milled depending on the type of design required.

Upper die is then squeezed on to the blank with a pressure of up to 200 tonnes, the blank receiving the impression of both dies. At the same time it

is forced outward to take the shape and design of the collar.

A statistical sampling technique is used to ensure a rigorous control of the coins. Where there is reason to believe that a batch may have defective pieces all the coins in that batch are examined on an "overlooking" table.

The specifications for coins are exacting, severe controls on quality being applied throughout the course of production. Samples from the melt are analysed by X-ray fluorescent spectrometry to check the composition of the metal. During the various stages of production, also, systematic checks are made to gauge thickness, weight, diameter, hardness and surface quality.

After the final inspection the coins are counted into bags on a "telling" machine. Labels are attached to show the denomination and quantity of coins in each bag before they are transferred to the strong-hold to await despatch and eventually finish up in people's pockets.

MH

The King Henry penny that put an end to the gloom

To the question: "Is coin collecting a good investment?" the answer these days seems to be: "Not necessarily and, then again, maybe." After the heady days of the late 1970s, when prices for good pieces were at their peak, the bubble burst in 1981.

A Charles II five-guinea gold piece, for example, in an attractive condition, would have sold for £12,500 at peak. Today that same piece could be bought for as little as £3,500.

Dealers are not always able to provide a ready answer for that sort of fluctuation but undoubted contributory factors for the good times of the 1970s, apart from cases of genuine interest, were that collectors' pieces in precious metal were seen as a useful hedge against inflation and as a response to avoid exchange control regulations.

Since then unemployment worldwide has had its effect on the market, with more collections being broken up and offered for sale and old established custom lost to the trade.

Then, too, as exchange control was lifted, speculators were tempted to dump coins in favour of other investments overseas, notably dollars. To that has been added the gradual slide in the value of gold and silver.

For dealers the bullion market was severely dented when a loophole in VAT was sealed in 1984 by the inclusion of gold sovereigns, hitherto exempt, within the tax provisions.

It was, in fact, the introduction of VAT on collectors' coins that led to the formation of the British Numismatic Trade Association (BNTA) in 1973 to provide a voice for the trade and an advisory body to whom dealers could turn.

Despite the vicissitudes of the trade, there are considerably more dealers in the market place, although not all concentrate on coins and medals. There are 200 dealers ranging from one-man businesses to the big firms with specialist departments such as Spink's, Glendinning's, Sotheby's and Christie's.

Dealers circulate forgery warnings

Of these 100 belong to the BNTA, which has a complaints procedure in which it will arbitrate between a dealer and a customer. Members must abide by the BNTA council's decision.

The danger of forgeries, of course, is always present with valuable pieces and an early warning system is operated by the International Association of Professional Numismatists, which circulates dealers throughout the world with descriptions of counterfeit coins brought to light in the market.

Dealers need to keep themselves informed of all developments and one way they do this is to attend the regular coin fairs held in the UK and overseas where, in many instances, British dealers are often only second in strength

to the dealers of the country concerned. These are also a useful source of supply to supplement the sale rooms and the Royal Mint.

In the latter case there are undercurrents of dissatisfaction among the dealers who see the Mint as usurping their function by smooth marketing techniques which cream off customers. This is seen as running counter to the Government's declared aim of helping small businesses.

There are others in the trade who are prepared to concede that the issue by the Mint of special sets, suitably presented to attract the buyer, can only lead to increased interest among the public to the ultimate benefit of the trader.

The scale of Mint discounts to dealers is a subject that arouses ill feeling and there are accusations that the prices demanded for gold and silver are too high.

As a case in point, dealers will cite the silver crown issued to commemorate the Queen Mother's 80th birthday. When it was issued, at a price of £28.75, its silver content was worth £12.50, but because of the decline of silver each new crown today has a silver content worth £2.88.

But while the market is going through an indifferent patch not all is gloom. A world record for a British coin was established last year when a Henry III gold penny realized £65,000 at a Spink's sale. Cases such as that give a whole new meaning to inflation.

PD

Minting history began with Alfred the Great

A silver penny, minted 1,100 years ago after Alfred the Great's consolidation of England against the Danes, is generally taken as the start of recorded continuous minting history in Britain, and provides the starting point for the Royal Mint's anniversary exhibition.

The exhibition opens tomorrow at Goldsmith's Hall, Foster Lane, in the City of London, and remains there until July 24. It then moves to the National Museum of Wales at Cathays Park, Cardiff, from August 13 until October 10.

Entitled 1100 Years of Minting History, the display traces the history of minting from Roman times to the present day, and offers the visitor a wide range of relevant exhibits including rare coins, medals, seals, tools and many other

associated artefacts. The money on show ranges from bronze Roman coins to the £2 coin issued to mark next month's Commonwealth Games in Edinburgh.

Visitors will learn, among many other numismatical asides, that there is nothing new about a £1 coin; indeed the first were struck on the orders of Charles I. Most will know that the Royal Mint's best-known Master was Sir Isaac Newton, but they may not know that at the time of Waterloo, the Mint actually struck French money for use by troops.

The exhibition also recalls that in the Anglo-Saxon period, coin manufacturers or "moneyers" who attempted to cheat on the quality of their product were apt to have their hands cut off; that the famous engineering team of James Watt and

Matthew Boulton designed the Mint's first steam-driven machinery; and that the Britannia who used to appear on the old penny is said to bear a strong resemblance to a former monarch's mistress.

Dr Jeremy Gerhard, Deputy Master of the Royal Mint, said: "There remains in the modern Royal Mint a vital role for the traditions and inherited skills that have been built up over the centuries. This year, therefore, provides an ideal opportunity to reflect on the long history of the Royal Mint: the exhibition will serve to illustrate over 1,000 years of history and will help convey a sense of the pride felt by myself and my colleagues."

AH



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However, in the mid-seventies, they realised that to keep that reputation in the years to come, they would need to find an efficient method of keeping such a successful organisation under tight control.

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System 25 is now the most successful mini-computer in the UK, and The Royal Mint is one example of ICL helping to create a beneficial partnership in the service of Government.

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BUCKINGHAM PALACE
June 21: The Duke of Edinburgh, President and Life Member, this evening attended the Windsor Park Equestrian Club Ball at Clendon Park, Merton, Surrey.

Major the Hon. Andrew Wigram was in attendance.
June 22: The Prince Andrew, President of the Royal Aero Club, accompanied by Miss Sarah Ferguson, today attended the Digital Schneider Trophy Air Race on the Isle of Wight.

His Royal Highness travelled in an aircraft of The Queen's Flight and was received at Bournemouth Airport by Her Majesty's Lord-Lieutenant for the Isle of Wight (Captain the Lord Mottistone).

Wing Commander Adam Wise was in attendance.

Birthdays today

M Jean Anouilh, 76; Sir Richard Brooke, 76; Lord Brimsford, 87; the Rev Professor H. Chadwick, 66; Sir Oswald Davies, 66; Mr Bob Fosse, 59; the Most Rev Dr John Habgood, 59; Mr Julian Hipwood, 40; Admiral Sir Frank Hopkins, 76; Sir Leonard Hutton, 81; Miss Miriam Karlin, 61; Miss Margaret Lane, 79; Admiral Sir Horace Law, 75; Mrs Patricia MacLaughlin, 75; Dr J. E. Meade, 79; Lord Newall, 56; Professor Martin Rees, 44; Professor Isaac Schapera, 81; Mr Anthony Thwaite, 56; Mr Ted Tintling, 76; Admiral Sir Francis Turner, 74; Miss Irene Wain, 70.

Order of St John

The Lord Mayor was present at the general assembly of the Order of St John held on Saturday at the Mansion House, Earl Cuthbert, Lord Prior of St John, was in the chair.

The annual service of commemoration and re-dedication of the order was held later in St Paul's Cathedral. The Dean officiated and the Right Rev Ambrose Weeks gave an address.

Dinner

Old Cranwellian Association
The annual dinner of the Old Cranwellian Association took place at the Royal Air Force College Cranwell, on Saturday. Air Commodore Sir Frank Whittle was guest of honour. Among the guests were Air Chief Marshal Sir Neville Stace, president of the association; Air Chief Marshal Sir David Craig, Air Chief Marshal Sir Thomas Kennedy, Air Chief Marshal Sir Wallace Kyle, Air Marshal Sir Roy Austen-Smith and Air Marshal Sir John Fitzpatrick. Air Vice-Marshal E. H. Macey presided.

Sir Arthur Peterson

A service of thanksgiving for the life and work of Sir Arthur Peterson will be held at noon on Thursday, July 10, at St Margaret's Westminster. All are welcome. Please telephone 01-213 6060 for inquiries.

The Prince Edward, Chairman of the Duke of Edinburgh's Award 30th Anniversary Tribute Project, this afternoon started the 30th Anniversary Walk from Buckingham Palace and afterwards started the "Walkathon" at Little Venice. Mr Victor Chapman was in attendance.

Princess Michael of Kent will present an award at the Silver Ciel luncheon for the Norfolk-Robinson Music Therapy Centre at the Inter-continental Hotel on June 27.

A service of thanksgiving for the life and work of Sir John Higgs will be held in the Queen's Chapel, St James's Palace, today at 11 am.

A service of thanksgiving for the life and work of Sir Malcolm Wilcox will take place at St Michael's Church, Cornhill, London, EC3, on Tuesday, July 1, 1986, at noon.

Bristol University

The 1986 annual meeting of Convocation, Bristol University, at which the election of representatives of convocation on Court will take place, will be held on Saturday, July 19, 1986, at 11.00 am, in the Winston Theatre, University Union, Queens Road, Bristol, BS8 1LN. All graduates of the university are welcome to attend. Further information may be obtained from The Secretary of Convocation, University of Bristol, Senate House, Bristol, BS8 1TH.

Reception

Anglo-Asian Conservative Society
The Anglo-Asian Conservative Society celebrated its tenth anniversary at a reception held at St James's Court, SW1, on Tuesday, June 17, 1986. Mr John Biffen, MP, and Lord Young of Graffham spoke and those present included members of the society, members of HM Government and Conservative MPs. The guests were received by the chairman, Mr Narinder Saroop.

Memorial services

Professor W. Walsh
A memorial service for Professor William Walsh was held in the Chapel of Merton College, Oxford, on Saturday. The Rev Martin Griffiths, chaplain, officiated. Dr J.M. Roberts, Warden of Merton College, and Professor Ronald Heppner read the lessons. Mr John Lucas gave an address.

Miss H.L. McMorran
A memorial service for Miss Helen Isabella McMorran was held in the Chapel of Girton College, Cambridge, on Saturday. The Rev Hilary Oakley, chaplain, officiated. Baroness Warnock, Mistress of Girton College, and the Rev Ian Clark read the lessons. Miss Mary Duff gave an address.

Lincoln's Inn

Hardwicke entrance scholarships, Easter term 1986: 8. J. Bryson, Highbury College, Canterbury; 9. C. Chapman, Downing College, Cambridge; 10. J. Downes, Downing College, Cambridge; 11. J. Hargrave, Downing College, Cambridge.

Births, Marriages, Deaths and In Memoriam

BIRTHS, MARRIAGES, DEATHS AND IN MEMORIAM

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Insertion rates: £4.00 a line.

BIRTHS

BURDEN - On June 19th 1986 at West London, to Louise (nee Fitzgerald) and Eric (Richard), a son.

DE LAURENCE - On June 19th 1986 at home, to a son, to Mrs and Mr J. de Laurence.

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THE ARTS

Television
Familiar
favourites

The BBC began two new series last night which I doubt could have been transmitted at any other time of the year. In both, well-known presenters trotted along to the homes of well-known public figures and skinned over their lives like water-films. This time-honoured format was summed up by the sight of Richard Baker trying to look impressed by a loaf of bread.

It had been cooked by everybody's favourite comedian, Ronnie Corbett. He was the subject of BBC2's *Favourite Things*. "It does seem to me as though food is a favourite thing," said Baker gamely, after exhausting his limited repertoire of astonishment. The trouble with such a programme is that everything becomes a candidate, from the Marmite to the delectable Mrs Corbett to the golf-club.

Meanwhile, Cliff Michelson sat on a wicker-still with the Archbishop of Canterbury. In the bland course of *Home on Sunday* (BBC1) we learnt that Dr Runcie was an expert on racing form and had first seen the light when attending confirmation class with a girl he was keen on. "I've trusted you, Lord," was his reaction to being appointed Archbishop, "but this does seem to me a great error." While he came over as plausibly human, the programme itself — interspersed with his favourite hymns — was dull and enlivened only by the cameraman's unflinching eye for the president's chrysalis.

Adapted by Derek Mahon, *The Demon Lover* (Granada) was a lavish over-production of Elizabeth Bowen's story about love among the ruins. In 1916 a girl pledges to wait 25 years for a soldier who is then reported missing. The years pile up, children are born and she forgets — until one day in the Blitz she visits her Kensington home and finds a spidery letter.

Dorothy Tutin was suitably mawkish in the lead role and there was a splendidly camp performance by Adrienne Corri. Unfortunately the director, Peter Hammond, gave too much prominence to both the sets and the music. This suffocated some fine acting and snuffed out any real sense of horror.

Nicholas
Shakespeare

Paul Griffiths reports on a climactic moment at Orkney's St Magnus Festival
Precariously cogent and moving

RPO/Previn
Cathedral, Kirkwall/
BBC2/Radio 3

Whatever may become of the St Magnus Festival — as every year, so it seems, there has to be the same controversy about the acceptability of Maxwell Davies's musical presence and presents — whatever may happen, Saturday night's concert will surely be remembered as a climax in the composer's assertion of himself as an Orkneyman. For here, brought about principally by the existence of his *Violin Concerto* to Orkney by a professional symphony orchestra, with international star conductor and soloist, and here was the fire-pink sandstone cathedral of St Magnus blasted by light and viewing cables to a school of

warring grey vans — so that television could, as it is way, make us know the event was real.

Yet the premiere itself was no gloriating celebration. The new concerto is restrained in its scoring, for a Beethoven orchestra, and sombre, even bleak, in its general tone. Like any substantial work in a major composer's output, it changes our view of what he has done before; it seems to complete, or perhaps (which would be, in a sense, more alarming) only to carry further, a process of synthesis, muting and closing coherence that can be traced from the Second Symphony at the beginning of the decade through the chamber symphonies and most recently the Third Symphony. The parallels that have been drawn with Sibelius become ever truer, and they are parallel not with the urgent

lyricism of Sibelius's own *Violin Concerto* so much as with the brooding stillness and precariousness of his Fourth Symphony.

The precariousness is particularly near the surface. As Davies has put on, during the last decade, writing big pieces in the standard forms, so it has seemed increasingly that he is writing not "great works" but rather explanations of why great symphonic works cannot be conceived: mirrors of absent masterpieces. This is no fruit in him, of course, but rather a truth of the time. His contribution is to have the mastery of a tangential, cross-eyed tonality that makes his explanations cogent and indeed moving.

This *Violin Concerto* he describes as being in F sharp, which is already a case of some precariousness for the

soloist. The first movement is a big structure in Davies's own kind of sonata style, occupying fully half of the total half-hour duration. It is marked "allegro moderato", though in this performance it seemed more an andante, and it is plainly concerned with the opening violin melody, which introduces a quality of Scottish lament that is central to the concerto. Also central is the prominence of the timpani, which are only introduced, in one of the work's *coups de théâtre*, as the music moves from exposition into development.

Hitherto surviving against the odds to maintain some kind of immediacy, the soloist is now confronted by his dark double, and the development paces itself up to a clinching accompanied violin-timpani duet, then to a solo cadenza. An attempt at reprise leads in fact

into the slow movement, where the lament becomes surprisingly naive and regular, highly divided strings providing a complex drone to the soloist's chanter. Again the timpanist is silent at first, and again his entry is dramatic, his function ominous as he mocks the soloist with the rudimentary simplicity of a falling octave. The finale, as one may more than half expect, is a repetition of the same scheme, but not wearisomely, since it is music of orchestral and solo brilliance, jangling at Scottish dance patterns while retaining the work's grim seriousness.

It will be perhaps a little less grim when played by violinists more inclined than Isaac Stern to point up its nimble, quirky rhythms and its dynamic profile, but the RPO under André Previn gave a commendably wide unveiling of the orchestral score.



Maxwell Davies: parallels with Sibelius growing ever truer

Irving Wardle at the Stratford Festival, Ontario
Drama won from pageant

Two years ago, on my last trip to Stratford, Ontario, I thought there was something in the wind when the Festival Theatre spokesman referred to one recent recruit to the company as "the distinguished Canadian actor, John Neville". Neville, the hero of the Nottingham Playhouse and London's first *Alfie*, a Canadian! After their abortive attempt to appoint John Dexter, it seemed that the Stratford governors were taking care to establish the national credentials of their next candidate well in advance. Sure enough, there was no repetition of the Dexter rumpus when the outgoing Canadian artistic director, John Hirsch, surrendered the job to another ex-Brit.

Since Neville's arrival, though, a new broom of unmistakably British make has been sweeping through the Stratford offices. It would be an exaggeration to refer to a wholesale purge; but, even without the huge inherited deficit, Neville is a declared foe of North American bureaucracy, and has embarked on his regime with a shedding of assistantships and high-sounding executive titles.

To the public, his most visible action has been to disband the popular opera company which formerly held sway at the Avon Theatre under Brian Macdonald (whose *Wilhelm Tell* appeared at the Old Vic two years ago). Instead, in line with the National Theatre and the RSC, he has assembled a single company supposedly capable of playing anything that comes their way.

Opening with *The Boys from Syracuse* (the first Shakespeare musical, based on Shakespeare's first play), and spanning the full canon up to *Henry VIII*, the season offers a model of integrated programme planning. *Hamlet* and *Rosencrantz and Guildenstern are Dead* appear, back to back, at the Avon, along with *Henry VIII* and *A Man for All Seasons*. *Macbeth* and *Antony and Cleopatra* are similarly paired on the Third Stage; while the Festival Theatre reverts to Shakespeare with three of the late romances: parallel studies in reconciliation which happen to be reuniting the company with the formerly estranged directors Robin Phillips and Martha Henry. It is not the safe programme you would expect from a debt-crippled organization; but, as Neville says, what is safety? "People are just as likely to ask 'Why are they doing the *Dream*'

again? We can see that in *Ohio*."

Of the five Stratford shows I saw, by far the best was Brian Rinzoul's production of *Henry VIII* which (like the Niagara version of *Cavalcade*) reclaimed the piece from pagentry for drama. It does contain passages of magnificent spectacle — particularly the dance of golden shepherds at Wolsey's masquerade — but all its splendour is set against the wall of a black iron cage. The feeling throughout is that the events are too close for it to be safe to speak the truth; so poisonous hints are dropped without being pursued to outright judgement against the great persons involved. The pervading atmosphere combines ambition and fear; and for every character who speaks his mind, like James Blenkinsop's roving Buckingham, you are aware of others keeping dangerous thoughts to themselves.

This requires, and gets, subtle performance. In the garden scene where Anne Bullen receives word of the King's favour, Lucy Peacock's Anne begins as an unaffected girl gossiping away with another lady-in-waiting, but by the end — and by the most delicate means — she has wholly distanced herself from her unloved companion, and leaves the stage fully transformed into the Marchioness of Pembroke.

Peripheral scenes like that take their quality from the central power mechanism which achieves maximum impact in the performances of William Hutt and Leon Pownall. It is a close partnership between two totally different playing styles. Hutt presents Wolsey as he is seen by the Court: an impenetrably masked figure, preserving all his secrets behind a gentle half-smile, hands clasped before him and moving with unemphatic dignity. He presents a spellbinding enigma, which persists in spite of his occasional give-aways ("We live not to be gripped by misadventure persons"). Mr Pownall, by contrast, has no secrets: even his claims to marital conscience are transparent subterfuge. With a voice that ranges from a thunderclap to a near-whine, and a manner veering between open-hearted friendship and murderous suspicion, he presents Henry as an autocrat for ever looking for somebody he can lean on. It is a portrait of the tyrant as a small boy, and I have never seen it equalled.

The *Boys from Syracuse* was a lot of fun, fully establishing the company's musical credentials, and brilliantly designed (by Polly Scranton Bohdanetzky) to make Roman costume look straight off the boutique peg. Otherwise, no production came properly into focus. *Hamlet*, Neville's only contribution, contains some nice coin-spinning echoes of *Rosencrantz*, and several fresh insights (pinpointing the onset of Ophelia's madness by letting her see Hamlet disposing of her father's corpse); but, with such a *Hamlet* as the pinched and gabbling Brant Carver ("You hear this fellow in the cellage consent to swear") was one typical misreading, the play has little chance.

Of the two romances so far unveiled, Richard Ouzounian's *Pericles* has the novelty of a jazz-singing Gower (which effectively obliterates the linking narratives), and a sequence of exotic parades for the hero's various ports of call.

With Geraint Wyn Davies gradually ageing from a rolling Siegfried to a reclusive Howard Hughes. The broiled scenes (thanks to Nicholas Pennell's Boit) go with a swing, and the story is periodically lit up by other expert small performances. What is missing is the oceanic pulse of the play, and the impact of the final reunion.

A more ambitious production, David William's *The Winter's Tale* sets out to represent the play as a dance to the music of time: opening and closing with an Edwardian tableau of the generations, and linked throughout with echoes of Schumann's "From Foreign Lands", which crops up, variously arranged, as a waltz, polka and peasants' dance before returning in its original form — by now thoroughly exhausted — to accompany the revival of Hermione.

This elegant framework has no perceptible effect on the body of the play, which displays Canadian acting at its most bouncily extrovert. Robin Phillips's *Cymbeline* joins the repertory in August. Until then, Stratford has a boldly enlightened programme and at least two productions that live up to it.

Rock
Prince's Trust
Birthday Party
Wembley Arena

It was Sting who remarked that, since Live Aid, the top rock musicians have got to know and trust each other in a broader way than ever before. When Prince Charles and his wife throw a birthday party, none of the gang now want to miss out.

As is usual when rock dons its "variety show" hat, the moments of musical splendour rarely coincided with the moments of emotional spectacle. The stands were vibrating with the physical excitement of the audience when Mick Jagger and David Bowie turned up, but their performance of "Dancing in the Street" was loose to say the least. George Michael unexpectedly appeared and, duetting with Paul Young, sang "Every Time You Go Away", which was fine, except that Young had already performed the song himself about 20 minutes before.

But, before the whole out-sized ensemble reached its good-natured finale, there was a lot of effort and evidence of serious musical preparation. Big Country and Level 42 did much of the donkey-work in the first half, livening up the initially subdued crowd. The "supergroup" which took the stage for the second half, and which included Eric Clapton, Mark Knopfler, Phil Collins, Elton John and Howard Jones, had been properly rehearsed under the musical direction of Midge Ure, and gave consistently good support to solo numbers by Tina Turner, Clapton, Jones and others.

But the two high points for me were firstly seeing Joan Armatrading playing a rather nervous but moving guitar solo during the exquisitely soulful "Reach Out" while, two paces behind her, Clapton, Ure and Knopfler confined themselves to a sympathetic rhythm accompaniment; and secondly when Sting in tow, through "Money for Nothing", at which point the music, smiles and sense of occasion coalesced in one joyous whole.

David Sinclair



The spellbinding enigma of William Hutt's Wolsey in *Henry VIII*

Almeida Festival

Bridging the culture-gap

Iwamoto/Tanaka
Almeida Theatre

Too much is made of supposedly unbridgeable culture-gaps. Of course, untutored Western ears will hear traditional Japanese music differently from those whose heritage it is. Our reception of it will inevitably be shallower, coloured by irrelevant associations and perhaps based on faulty assumptions. But if the listener is open-minded enough, and the instrumentalists are adept at projecting their own enthusiasm, the basics if not the subtleties of a culture can be quickly transmitted. That was certainly the case in the final concert of the Almeida Festival's "Japan" week, with two outstanding performers present: the shakuhachi player Yoshiharu Iwamoto (a comparatively fit-

miliar figure in Britain) and a marvellous *uwa* virtuoso, Kakuo Tanaka.

Tanaka, a traditionally garbed figure kneeling straight-backed on a red mat, maintained a monkish demeanour and absolute physical stillness throughout. Emotion was expressed only through his face — struck, often violently, in a variety of ways with an enormous triangular wooden plectrum — and his voice, which rose freely from a grainy baritone to an impassioned falsetto at climactic moments.

His main offering was *Asumori*, the lament of a 12th-century warrior who realizes that the enemy at his mercy is a youth resembling his own son. He beheads the boy anyway. The tragedy is expressed as much by decompensative vocal inflections as by the actual modal melodies.

Iwamoto, on his end-blown bamboo flute, made fine use of vibrato, pitch-bending and some fervent screeching. His selection included the delightful *Tsuru no Sugomori*, "A Crane on the Nest", which celebrated that elegant bird with an equally elegant unfolding of long-breathed phrases.

Both players were needed for the only modern piece: Toru Takemitsu's 1966 work *Eclipse*, receiving its British premiere. It was a disappointment. Takemitsu did reveal more sophisticated instrumental possibilities. But an interesting idea in theory — that the players determined the relationship between them through spontaneous reaction to reading some Tagore quotations in the score — in practice fell very flat.

Richard Morrison

Dance
Ballet Rambert
Sadler's Wells

An injury to one of the dancers two hours before curtain-rise resulted in a cliff-hanger of an evening for the Ballet Rambert on Friday, with Christopher Bruce hurriedly teaching a replacement his new ballet *Ceremonies*, which was shifted from the middle of the programme to the end in the hope that the newcomer could be ready in time.

The ballet (sponsored by American Express) proved worth waiting for. It takes its origins from a score, *The Seventh Enchanted Key*, by Edward Shipley. Written for an ensemble of 10 players, it takes the formality of Elizabethan music and distorts it into strange, diabolic twists. This treatment and the title, a programme note tells us, derive from the theories of Queen Elizabeth I's astrologer, and the seventh of his Enchanted keys invokes earth-bound pleasures.

Bruce's choreography shows four courtly couples dancing in a wood. Under the music's influence their movements grow first twisted, then hugely perverse. Siobhan Stanley couples eagerly, urgently with Ben Craft. Diane Walker turns Robert Poole into a pet animal. Frances Carly's shame quickly turns to abandon as she gives herself simultaneously to two lovers. Only the youngest of the women, Sara Matthews, remains innocent, an achievement rewarded by being bitten to death by the others, before they resume their ceremonial behaviour.

This new light on Gloriana's subjects not only looks forward to *The Rite of Spring* but back to classic antiquity too, with flutes and maenads in the dances. So the subject, bizarre as it may seem, must answer to something timeless in human nature.

Bruce's treatment grips the attention throughout, his dances conveying their intentions with swift, subtle allusions. The cast, including Bruce Michelson as the brave substitute, is uniformly good, and the admirable, versatile Mercury Ensemble makes a convincing case for Shipley's strange score. Pamela Marre's designs neatly abet the theme, with lasciviously suggestive costumes and even the pillars of a classical temple in the background, twisting out of true as the action proceeds.

John Percival

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Letter from Moscow
Populist painter
shows his truth

FINANCE AND INDUSTRY

US NOTEBOOK

Fed rifts and GNP fall signal recession

From Maxwell Newton
New York

Further evidence of economic weakness in the US is accumulating at the same time as the Federal Reserve is emerging as a divided, uncertain body.

In an extremely unusual move, the White House called for a reduction of interest rates last Thursday. Revised figures for the first-quarter real GNP showed a reduction in the annual growth rate from 3.7 per cent at the first revision to 2.9 per cent at the second. Yet this 2.9 per cent figure was boosted by a large rise in stocks at an annual rate of \$35.3 billion, far more than the requirements of the growth of industrial production or consumer spending.

Hence, the second quarter is likely to come in at 1 per cent per annum growth or less, as inflated forecasts for business fixed investment are struck down, along with big ideas about housing investment growth, itself undermined by a fall in May starts to the lowest level since September 1985.

Inside the Fed a battle is clearly being waged between Mr Paul Volcker's allies and the "gang of four" appointed by President Reagan.

Mr Volcker is mesmerized by inflation and the terror of a run on the dollar, forcing him to take almost defensive measures which, by raising interest rates, will precipitate a recession and even a financial collapse in the US.

Until now, the gang of four has been giving very broad hints of another cut in the discount rate, but on Thursday, Mr Wayne Angell, later an outspoken critic of Mr Volcker, was obliged in a Washington Post interview to climb down, saying that this did not really mean a discount rate cut right now.

As 1985 was a year of low economic growth - 2.5 per cent - today's capacity utilization rate points directly to a further collapse of business investment, after the annual rate drop of 3.3 per cent in the first quarter.

The Administration is counting on a weaker dollar and accelerated growth in Germany and Japan to pull the country out of its slump.

But the Germans have made it clear that they have no intention of taking steps to accelerate growth, while reports from Tokyo state that the first-quarter GNP in Japan will show a drop of 3.2 per cent at an annual rate.

Thus, the Administration's strategy may not work quickly enough to avoid a recession in 1986-87. Such a recession would unleash powerful negative forces in the financial markets.

Earlier optimistic consensus forecasts of a surge of growth in the second half of 1986 are being abandoned at speed.

Personal income in the first five months of the year rose at one-half of the rate of the 1985 average (compared with 1984) and this fact, combined with a 50 per cent fall in the rate of growth of consumer debt in April-May (compared with the 1984-85 average) is indicative of the central problem - growth in the last six years has been fed by a huge debt build-up which is now becoming too heavy for the borrowers to carry.

Zambia backs Lonrho action

Lonrho's \$15 million legal action in Denver, Colorado, is being undertaken with the full backing of the Zambian Government, the company said yesterday. The action, against Mr Dan Mwaanga and his Crystaline company, is over a claim arising from an investment in Zambia. Mr Mwaanga, "Tiny" Rowland, is to give evidence this week supporting Lonrho's claim.

BOARD MEETINGS

TODAY - Interims: Burns Anderson, Greenwich Cable Communications, Northern Industrial Improvement Trust, Finales: Avana Group, Brown & Tawse, James Cropper, First Security Group, FCB Group, Illingworth Morris, London Investment Trust, Plantation Trust (expected June 24), Rascal Electronics, Volux Group, Whitcroft.
TOMORROW - Interims: KLP Group, LPA Industries, Nash Industries, Finales: Argyl Group, Ariel Industries, Brookmount, Channel Tunnel Investments, Fairbairn, Habit Precision, Engineering, Halm, Hambros, Health Care Services, Imperial Continental Gas Association, Mansfield Brewery, Rohmans International.
WEDNESDAY - Interims: AG Barr, Charles Baynes, Eldridge, Pope, Harveys & Hanson, Morgan Holdings.

Powerful new partner set to join C&W in cable venture

By Teresa Poole

Cable and Wireless announced yesterday that a powerful US telecommunications company is poised to become its new partner in a transatlantic optical-fibre venture.

Nynex Corporation, the regional Bell telephone operator for New York and the north-eastern states - formed when AT&T was broken up in 1984 - is set to buy out C&W's existing partner.

At the moment, the installation and operation of two submarine cables between New York and London is a joint undertaking between Cable and Wireless and Tel-Optik, a US company formed specifically to participate in the project.

Under the proposed terms, Nynex will this week pay \$10 million (£6.7 million) for an option on Tel-Optik, which has a half share. The deal will go through, with no further payment, when approval has



Sir Eric Sharp: building up a global fibre-optic network been given by the regulatory authorities.

It was always expected that Tel-Optik would have to look for help in financing its half of the venture. The first cable is scheduled to be in service by mid-1989 at a cost of up to \$400 million. The second will follow three years later.

Mr Joe Crouch, C&W's marketing director who nego-

tiated the Nynex deal, said: "We were very keen to see the finance coming from a telecommunications organization". He said Nynex was a company of "very considerable muscle" with 11 million customers and annual revenue of \$10 billion.

Nynex was considered the most attractive partner because its customers account for around 40 per cent of the transatlantic telecommunications traffic. When the new link is operational, the joint venture will sell or lease capacity on the cable to heavy private users, such as companies and financial institutions, and to other telecommunications carriers.

The private leased lines are expected to be particularly attractive to the business communities in New York and London which generate a high level of voice and data traffic, letters of intent from a number of customers have already been received. Mercury Com-

munications, C&W's subsidiary which is licensed to compete with British Telecom, will be responsible for the British end of the link.

The deal is conditional on a waiver of the regulations governing the seven regional US telecommunications companies. These prohibit the regional Bell telephone companies from the ownership and operation of telecommunications networks outside their own regions.

The involvement of Nynex will bring considerable marketing strengths to the cable venture and is likely to cause concern to British Telecom, which faces severe price and volume competition on the lucrative transatlantic route.

The London-New York cable is just one of the measures being taken by C&W under the chairmanship of Sir Eric Sharp to build up a fibre-optic network linking all the world's leading business centres.

Industry price prospects brightest for 19 years

By David Smith

Economics Correspondent

Fewer manufacturing companies expect to raise prices than at any time for 19 years, according to the Confederation of British Industry's June Monthly Trends Enquiry, published today.

This represents a considerable boost for the Government's inflation hopes. Companies' reluctance to raise prices can be explained largely, however, by the depressed state of order books.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said British manufacturers were facing intense competition in both home and export markets and had suffered a decline in export orders over the past month.

"The survey indicates that demand has not improved significantly from the rather flat and patchy situation we experienced in the first quarter of the year," he said. "The proportion of firms regarding their stocks of finished goods as more than adequate is the highest since November 1982."



David Wigglesworth: Order books depressed

The Chancellor of the Exchequer, Mr Nigel Lawson, conceded on Friday that growth in the economy will be slower this year than the 3 per cent forecast in the March Budget, but that inflation should be below the prediction of 3.5 per cent for the fourth quarter of the year.

The Treasury now expects growth of around 2.5 per cent, in spite of relatively strong first-quarter gross domestic product figures, and inflation of 3 per cent at the end of the year.

The London Business School, in its *Economic Outlook*, also published today, predicts that inflation will remain below 3 per cent in the medium term. Consumer price inflation, a wider measure than retail price inflation, will average 4.9 per cent this year, the LBS says, declining to 3.2 per cent in 1987.

The CBI survey shows that only 15 per cent of the 1,761 companies who took part expect to raise their prices over the next four months, with 9 per cent expecting to reduce prices and the majority, 76 per cent, expecting to leave them unchanged.

The 6 per cent difference between those expecting to raise prices and those expecting to reduce prices is the lowest since the monthly survey began in 1975, and the lowest result in a quarterly survey since June 1967.

Order books are weak, with only 11 per cent regarding them as above normal. The difference between companies with order books above normal and those with order books below normal, -16 per cent, was worse than the -16 per cent recorded in May.

Clash fear over BES funds curb

By Lawrence Laver

Provisions in the Financial Services Bill which effectively restrict Business Expansion Scheme Funds from advertising are threatening to start a dispute between the Treasury and the Department of Trade and Industry.

The provisions run counter to amendments to the Business Expansion Scheme announced by the Chancellor of the Exchequer, Mr Nigel Lawson, in his Budget speech. A delegation of BES fund managers has already made representations to DTI officials asking for an amendment to the Bill to be introduced in the House of Lords reversing the ban on advertising.

The Business Expansion Scheme was introduced by the Government in 1983 to stimulate investment in unquoted companies through giving individuals tax relief on investments of up to £40,000 in certain qualifying companies.

A spokesman for the DTI said on Friday that the department was considering the position of BES funds. He added that any amendment to the Bill would take the form of creating a third category for BES funds, after authorized unit trusts and recognized collective investment schemes, both of which under the terms of the Bill can advertise.

The DTI is, however, "still very concerned about the investor protection implications" of such an amendment.

The issue is likely to attract the attention of the Treasury, particularly as Mr Lawson highlighted the BES in his Budget speech describing the scheme, which the Treasury pioneered, as "an outstanding success."

Lloyds to lift Standard bid

By Our City Staff

Lloyds Bank is set to raise its £1.168 million bid for Standard Chartered this week. But the new bid will leave the Lloyds offer well below a level which the Standard Chartered board regards as adequate.

Standard Chartered's second defence document in the bid battle, sent out to shareholders over the weekend, described the existing offer of 750p a share by Lloyds as misconceived and "a gross undervaluation."

Lloyds could sell off Union Bancorp, Standard Chartered's Californian subsidiary, Stanbic of South Africa, the Bishopsgate head offices, the Standard Chartered merchant bank, Chartered Trust and the Mocatta companies, and raise all but £35 million of the £1.168 million bid, the document said.

This would mean that Lloyds was obtaining for £35 million the rest of Standard

Chartered's assets, which have a book value of £328 million. On this basis, according to the defence document, a more realistic bid would be £1,461 million, or 939p a share.

There are serious questions about the financial success of Woolworth's Operation Focus scheme, and thus about the profit forecast this year, Dixons said yesterday.

Decision time nears, page 27

Privatized shipyard to seek share listing

By Our City Staff

Vickers Shipbuilding and Engineering Limited, the newly privatized shipyard which builds the Trident submarines, is to seek a stock market listing in the second half of July.

The listing, by way of an introduction, follows the successful employee-led buyout this year in which £2 per cent of the 14,000 workforce purchased shares. No new money will be raised.

Dr Rodney Leach, chief executive and managing director of VSEL, said the introduction had been brought forward from September in order to create a proper market in the shares.

Since the buyout, a private

market has been offered by Hoare Govett, the stockbroker. This has been used only once, by an institutional shareholder who sold some shares at a small premium to the original 100p share price.

There has also been some unofficial trading in the shares. Prices of between 120p and 200p have been reported.

Yesterday, the company unveiled its new 155mm self-propelled howitzer gun at the British Army Equipment Exhibition at Aldershot. The AS90 has been developed in association with Verolme Estaleiros Ruvidos do Brasil and the Cummins Engine Company of the US.

500p price on Morgan

By Our City Staff

Analysts are predicting a striking price of up to 500p for shares in Morgan Grenfell, the merchant banking firm which is coming to the stock market by way of a tender offer. The prospectus is published on pages 29 to 35 of *The Times* today.

This compares with a minimum tender price of 425p which capitalizes the company at £640 million.

The offer is raising a minimum of £131 million for the company, much of which will be spent on the group's securities business in preparation for big bang.

Application lists open on Thursday.

Analysis, page 26

Bremner chief prepares for boardroom battle

By Cliff Feltham

Mr James Rowland-Jones, chairman of Bremner, the Glasgow store business, will this week urge shareholders to resist a move to have him ousted at the company's annual meeting next month.

He will fire another verbal broadside at his predecessor, Mr Michael Black and dispute claims that some of the major shareholders are unhappy with the way he has been running the company.

The controversy began when Mr Rowland-Jones wrote to shareholders claiming that a loss of £1 million by Bremner was due to the activities of Mr Black and a boardroom colleague, Mr Lionel Casper.

He claimed that he forced them to resign after examining the company's finances, and its abortive moves into ventures such as hot air balloons, banking, picture framing, pickles and crisps.

The allegations last week prompted Mr Black to launch a counter-claim. He said that when he joined Bremner in April 1985 "it was an out-of-date, loss-making department store."

"Mr Rowland-Jones carried out his boardroom coup, having waited for all the agreed rationalization plans and work of the last year to have been completed. The store employs only 14 people and the company is asset rich, its losses completely behind it."

Opec to renew attack on UK

By David Young, Energy Correspondent

The Organization of Petroleum Exporting Countries (Opec) will start its meeting in Yugoslavia on Wednesday with a renewed attack on Britain's policy of refusing to co-operate in cutting North Sea oil production.

Opec wants the cuts to help bring world oil supply more in line with demand and send prices upwards.

Mr Alick Buchanan-Smith, Britain's Energy Minister, has refused persistent requests from individual Opec oil ministers to have Britain officially represented at the meeting.

Pressure on Britain to co-operate has increased since the new Norwegian Government said it will be represented and is prepared to offer co-operation on output cuts.

Energy says oil production limits for the North Sea are a matter for the operating oil companies.

While Mr Buchanan-Smith has been in his Aberdeen constituency over the weekend discussing the effect the lower oil price is having on the local economy, Opec ministers have been travelling to Briati, in the Adriatic, for a full ministerial meeting at which they hope to formulate a new output quota agreement.

The opening statement is expected to repeat Opec's attacks on Britain for increasing its share of world oil production.

Central to the proposals which have so far been submitted is a degree of co-operation from the non-Opec oil producers.

although under strong pressure from the IMF to export revenue, has indicated it will cut output. So have Egypt, Angola, Oman, Malaysia, Brunei and New Norway.

A firm agreement emerging from the meeting could send world oil prices back up, possibly towards the \$18 a barrel mark, but continued differences within Opec between Iran and Libya and the more conservative Gulf states such as Saudi Arabia and Kuwait could mean that any agreement will not receive unanimous support. Prices could then continue to languish at under \$12.

After Norway's decision on co-operation Opec's president, the Venezuelan oil minister, Sotelo Arturo Griso, said:

"Any price recovery will be gradual and depend not only on Opec's ability to comply with its decisions but also on co-operation with non-Opec producers."

However, the broker James Capel suggests that the Opec meeting in Yugoslavia will end inconclusively.

It says: "The short term outlook is therefore uninspiring at best. The recent period looks rather like autumn 1985 when prices rose for about three months on the basis of what turned out to be a totally unnecessary stock build."

"The consequences are unlikely to be so dramatic on this occasion but we do expect further short-term weakness and would not be surprised to see prices at the bottom of our anticipated \$10 to \$18 a barrel range."

Executive Editor Kenneth Fleet

Storm forecast for sterling M3 target

The transformation of the annual monetary target from Big Brother to Aunt Sally is enough to make a cat laugh. The Chancellor's worst enemy could hardly have dared to hope that the resurrection of a sterling M3 target would be greeted by an acceleration in its growth, over the past three months, to an annual rate of 39 per cent. Yet even those happy to believe this debacle has finally condemned monetarism to death by ridicule must admit to a sneaking worry. Is not the surge in monetary growth rather disturbing?

To judge by the kind of forecasts pumping out of officialdom and the best private institutes, the answer is a resounding no. Their projections show no corresponding surge in inflation. The London Business School, whose summer forecast is published today, presents a particularly pretty picture: growth and inflation both level pegging next year at just over 3 per cent each, with the rate of inflation actually falling behind the rate of growth in 1988.

The Chancellor, who has now formally warned us that the economy is not growing as fast as he forecast at Budget time, certainly does not seem to think it is overheating. The LBS, which now thinks we shall see only 2 per cent growth this year, is equally subdued. Yet monetarist true believers, as well as the bulk of politicians and economists in Britain who have all subscribed to the suitably Anglican faith of "practical monetarism" - a general understanding that "money matters" - must feel uneasy. How can the broad money supply grow roughly ten times as fast as real output without storing up inflationary trouble for the future?

Of course, that 39 per cent three-month calculation puts the worst possible interpretation on the sterling M3 figures. Today's Monetary Bulletin from Greenwell Montagu, the stockbroker which has established an expertise in sophisticated adjustments, puts the trend increase at about 17 per cent. Nevertheless, this figure - along with those for other broad monetary definitions - is above the Chancellor's 11 to 15 per cent target, itself set deliberately loose on Budget day.

Broad money targets (which the Bank of England began to set internally back in the early 1970s) were based on the view that the rate at which the amount of money in the economy grew bore a relationship to the growth of nominal national income, or "money gdp". If the demand for money were stable, then the supply of it would have predictable effects. The chain of counter-inflationary policy still had to cope with the question of how money supply could be controlled, at one end; and how the growth of money gdp would split between inflation and output, at the other. But this link between money and money gdp was critical; and economic history has neatly demonstrated that the first had been growing more slowly than the second during postwar history.

That is, the "velocity" with which money passed from hand to hand, servicing those transactions which make up national income, had been increasing. The pattern seemed clear enough to base monetary targets on it with some confidence. Instead, from the time medium-term targets were set in 1980, velocity fell.

Looking back, the Government has achieved a far more rapid slowdown in money gdp and inflation than the rate of monetary growth had seemed to imply. The question is whether we now have any idea what a given rate of growth in broad money implies for the future.

The Treasury, in a recent Economic Progress Report, sought to list all the special factors that might have changed the demand for money. This made quite a good list of excuses - such as financial innovation, or the spread of interest-bearing bank accounts - but it did not help much with the problem of accurate prediction.

The LBS has made a brave stab at the job. It presents a paradox. Falling inflation requires a slowdown in the rate of monetary growth. On the other hand, when inflation falls, it becomes less disadvantageous to hold money as opposed to various assets which act as a hedge against rising prices. The demand for money, at any level of nominal income, will rise. While this "stock adjustment" is going on, monetary growth can be quite rapid without presaging inflation.

The LBS has calculated the kind of combination that is permissible in today's circumstances, building in changes in inflation, interest rates and the differential between interest rates on those assets classed as "money" and those which are not. It concludes that the Government's target for this year is fine, and indeed that growth of over 16 per cent in sterling M3 next year would be equally fine. After that, however - assuming inflation stabilizes at about 3 per cent - broad money growth should be cut back to under 6 per cent, because the "stock adjustment" would be over.

That is all quite consoling for the present - providing the Chancellor is lucky, and the immediate surge in sterling M3 subsides a little. But it is difficult to think a policy which said that broad money should be let rip now and then sharply cut back would be credible as a stabilizing influence on the economy, or that the state of knowledge would really enable us to say with confidence when that sharp change should take place.

The LBS analysis further confirms the view that broad money growth needs to be forecast and monitored, like a weather forecast; but that trying to enforce broad money targets in today's fluctuating financial circumstances is about as sensible as targeting the outdoor temperature for London in June.

Sarah Hogg
Economics Editor

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 23RD JUNE 1986.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has indicated on 20th June 1986, and has issued to the Bank, additional amounts as created on each of the Stocks listed below:

£150 million	10 per cent TREASURY CONVERTIBLE STOCK, 1990
£150 million	9 per cent TREASURY LOAN, 1994
£150 million	9 per cent EXCHEQUER STOCK, 1998
£150 million	9 per cent TREASURY STOCK, 2002

The prices paid by the Bank on issue were in each case the middle market closing price of the relevant Stock on 20th June 1986 as certified by the Government Broker.

In each case, the amount issued on 20th June 1986 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provisions contained in the final paragraph of this notice: the current provisions for Capital Gains Tax are described below.

Copies of the prospectuses for the Stocks listed above, dated 13th January 1986, 14th January 1986, 3rd February 1986 and 17th November 1986, respectively, may be obtained at the Bank of England, New Issues, Writing Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of Stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly on the dates shown below:

Stock	Redemption date	Interest payment dates
10 per cent Treasury Convertible Stock, 1990	25th October 1990	25th April 25th October
9 per cent Treasury Loan, 1994	17th November 1994	17th May 17th November
9 per cent Exchequer Stock, 1998	19th January 1998	19th January 19th July
9 per cent Treasury Stock, 2002	27th August 2002	27th February 27th August

The further tranches of 10 per cent Treasury Convertible Stock, 1990 and 9 per cent Treasury Loan, 1994 and 9 per cent Treasury Stock, 2002 will rank for a full six months' interest on 25th October 1986, 17th November 1986 and 27th August 1986 respectively. The further tranche of 9 per cent Exchequer Stock, 1998 has been issued on an ex-dividend basis and will not rank for the interest payment due on 19th July 1986 on the existing Stock.

Each of the Stocks referred to in this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains on deposits made on or after 2nd July 1986, irrespective of the period for which the security is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 23rd May 1986 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank, that no responsibility can therefore be accepted for any omission to make such disclosure, and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
20th June 1986

ANALYSIS

Morgan Grenfell back in the race

If Morgan Grenfell was slow out of the stalls in the race for survival after the City's big bang, it is now galloping to make up ground like the true thoroughbred it is.

Going public will give it access to the capital necessary for market making and expansion. But this is only one manifestation of its preparations for the deregulated markets of tomorrow.

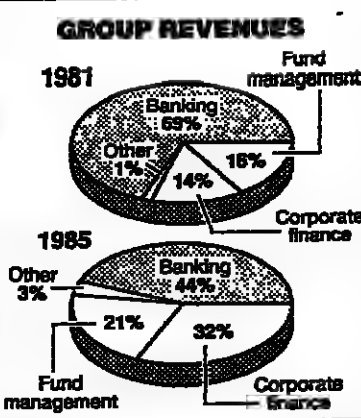
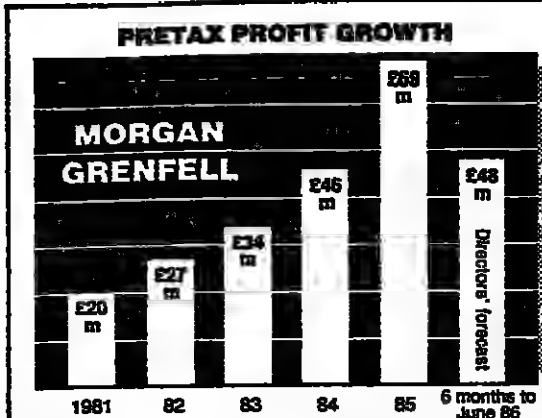
Internally, the process of adaptation and change has already begun.

It is adding to its three main revenue earners — corporate finance, banking and investment management — a fourth, Morgan Grenfell Securities. MG Securities will be the investment banking arm based on a specialist gilt stockbroker, Pember & Boyle, and the stockbroker Pinchin Denny, both of which were acquired for a total of £31 million in 1985.

But, having failed to buy a big equities brokerage house, MG Securities is starting virtually from scratch to build up an equity operation to embrace research, sales, execution and settlement.

Mr John Holmes, joint managing director of MG Securities, said: "It took Wood Mackenzie 18 years to achieve a 5 or 6 per cent market share, something we aim to do in two years."

The big difference is the deregulation of British securities markets. After big bang, on October 27, the heavily protected environment of



fixed commissions will disappear.

Buying an equity broker is not necessarily a guarantee of success. Many of the new financial combines have suffered defections of valuable teams. But reputations in research and distribution are neither made nor lost overnight.

Even in deregulated markets, MG Securities will have an uphill task to break into the well-established relationships

between the institutions and the broking fraternity. Judging by the changing mix of Morgan's revenue, shown in the chart, it is apparent that corporate finance has become increasingly important at a time when conventional banking margins have been squeezed. Underwriting, the directors admit, is an important part of the business. And while profits have been significantly enhanced by fees for advice to

corporate clients, underwriting fees generated by cash alternatives are at least as important.

Morgan is at pains to point out the risks of underwriting. The £650 million merchant bank will take on the whole risk of the cash alternative of a £1.6 billion bid for the few hours it takes to have the bid sub-underwritten.

But even a tiny percentage of the value of a mega-bid can be worth millions of pounds in

profits to the bank. And every time the client increases his bid, the underwriting fee is charged all over again.

So far in 1986, the group has been involved in two such takeovers with an aggregate value of £4.8 billion. These were Guinness's bid for Distillers and United Biscuits' bid for Imperial. All parts of the business are doing well. But the leap in profits to £48 million forecast by the directors for the first half of 1986, compared with £29 million for the whole of 1985, must in no small measure be due to these big deals.

But even in the absence of more big deals, Mr David Poutney, analyst at the stockbroker Greenwell Montagu, reckons that the full-year pretax profit will be 38 per cent ahead of last year at £95 million. The underlying profit on ordinary activities may fall from £48 million in the first half to £38 million in the second, but interest income on the proceeds of the issue and cash flows from the first half could be worth another £9 million or so.

Thereafter, it is the uncharted oceans of deregulated markets, a totally different environment. As one director put it in connection with the fixed-interest market — but it applies equally across the board: "We're in the dying throes of the old market, we can't extrapolate forward."

Carol Ferguson

Charles Goodhart on a European solution

EMS entry 'is no cure for British disease of poor performance'

There are several facets to what is often called the "British disease" of poor economic performance. The arthritic working of our labour markets is important among these.

If there were a significant likelihood that joining the EMS would of itself lead to a real improvement in the working of our labour market, then such a move would deserve full support. As, I am pessimistic whether the act of joining the EMS would lead to British wage bargainers, on either side of the table, behaving like their German, let alone their Japanese, counterparts.

Accordingly entry into the EMS or, to be more pedantic, into the Exchange Rate Mechanism (ERM) of the EMS (because the United Kingdom is already participating as a member in the EMS with respect to its other, minor technical, features), has to be analysed in terms of the effect on countries, with differing underlying propensities to wage inflation, of joining a pegged, but adjustable, exchange rate system.

A particular problem in this respect is that it can be shown that joining such a system, of temporarily pegged, but adjustable, exchange rates will considerably exacerbate the volatility of domestic interest rates, unless that volatility is artificially reduced by resort to exchange controls, as has been

The author, a former chief economic adviser at the Bank of England from 1977-85, is the Norman Sosnow Professor of Banking and Finance at the London School of Economics and Political Science.

for manoeuvre left by the margin between intervention points.

Under those circumstances, there would be some tendency for interest rates in the low-inflation country to rise, and for interest rates in the high-inflation country to fall.

As Alan Walters has shown in his recent book, *Britain's Economic Renaissance*, the initial effect of this would be to put further downward pressure on nominal incomes, activity and inflation in the low-inflation country, but would give an undesirable further expansionary, upward impetus to monetary expansion, output and inflation in the high-inflation country.

Thus, the initial effect of forcing the exchange rate into a pegged form over the interval during which that peg was thought certain to be maintained would be to force interest rates, and forward exchange rates, away from those levels that would give appropriate signals in response to underlying developments in monetary growth and labour markets.

Consider next, however, what happens when the market begins to reconsider seriously whether the authorities can afford to continue to maintain the peg, given the underlying differences in inflationary pressures and wage inflation.

Unless the very act of joining an exchange-rate system should of itself lead to a marked, underlying convergence in the growth of unit labour costs, the existence of a pegged exchange rate will lead to the more inflationary partners becoming increasingly uncompetitive, while the low-inflation countries within the system will gain the benefit of greater competitiveness for their export industries.

Anyhow, in due course, the pressures of maintaining the peg despite differential inflationary prospects will become increasingly hard to sustain. But, once the market believes that there is a significant probability of a short-term exchange rate adjustment, then the interest rate premium in the more inflationary country, which would be a candidate for devaluation, would have to be extremely large, in a system without exchange controls, in order to prevent huge capital flows forcing an early, perhaps premature, realignment.

So, were the United Kingdom to join the EMS, given its present devotion to free capital markets without exchange controls, there would be a considerable additional source of volatility to domestic interest rates.

First, whenever the market was confident that the exchange rate peg would be held, interest rates in the United Kingdom would be forced

below the level that would be consistent with our presumably higher rate of growth of unit labour costs.

Then, once the market lost confidence in the continued maintenance of the peg, interest rates could well be forced considerably above the equilibrium level. This would be needed to offset the advantage of shifting funds to some probably appreciating currency, in order to benefit from the perhaps sizeable prospective step-change in exchange rates.

Entry into a system of pegged, but adjustable, exchange rates, without the support of exchange controls, would introduce considerable further volatility into such interest rates. Currently the shocks from various sources have their impact distributed between domestic interest rates on the one hand and exchange rates on the other. In future, the effect of these shocks is likely to be concentrated even more strongly on domestic interest rates.

Support for entry into the EMS now appears to be growing. As far as the effect on the economy more generally is concerned, I find it difficult to believe that a system which combines considerably more volatile domestic interest rates, with occasional sharp, politically-determined, changes in relative exchange rates, would be more desirable

Enthusiasm for the mechanism needs careful reconsideration

than our present arrangements, let alone a panacea.

As far as the particular interests of financial institutions in the City are concerned, however, the implications are more mixed. On the one hand, the greater volatility of domestic interest rates would raise risks for all those involved in financial markets. On the other hand, the greater volatility would increase the opportunities for profit. Furthermore, the volatility of interest rates would largely be signalled by developments in the balance of payments and on the foreign exchange market.

Because of the political dimension that would now be added into the determination of exchange rates, the likelihood of the politicians being under pressure to adjust the exchange rate is often obvious quite long before the event.

Under those circumstances the future direction of interest rates could often be more easily judged, because the authorities, notably the unfortunate Bank of England, would then be forced into an often untenable posture which would allow fast-moving City operators to take considerable profits at the ultimate expense of the taxpayer by operating against the authority's position, since the latter would obviously be constrained in advance by the political dimension.

My conclusion is that much of the present enthusiasm for joining the EMS needs a more thoughtful reconsideration.

An Italian bank to be found the world over

BNL

BANCA NAZIONALE DEL LAVORO

BANCA NAZIONALE DEL LAVORO

CONDENSED STATEMENT OF CONDITION FOR THE BANK AND ITS SPECIAL CREDIT SECTIONS AS AT 31-12-1985

(BILLIONS OF IT. LIRE)

TOTAL RESOURCES 92,250 (+8%), NET WORTH 2,731 (+33%),
LOAN CONTINGENCY FUNDS 1,609 (+9%),
TOTAL DEPOSITS IN ITALIAN LIRE & FOREIGN CURRENCY 79,115 (+6%),
CASH LOANS IN ITALIAN LIRE & IN FOREIGN CURRENCY 64,150 (+14%),
GROSS SURPLUS 775 (+29%), NET PROFIT 241 (+61%).
GROUP STAFF 25,379, 1,503 OF WHICH EMPLOYED IN QUASI-BANKING COMPANIES.

BASE LENDING RATES

ABN	10.00%
Aden & Company	10.00%
BCCI	10.00%
Disbank Savings	10.75%
Consolidated Cito	10.00%
Continental Trust	10.00%
Co-operative Bank	10.00%
C. Hoare & Co	10.00%
Hong Kong & Shanghai	10.00%
Lloyds Bank	10.00%
Nat Westminster	10.00%
Royal Bank of Scotland	10.00%
TSB	10.00%
Citibank NA	10.00%

† Mortgage Base Rate.

BAYER AKTIENGESELLSCHAFT
PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a Resolution passed at the Annual General Meeting of shareholders held on 19th June, 1986 a Dividend for the year 1985 of DM 10.00 per share of DM 50 nominal will be paid as from 25th June, 1986 against delivery of Coupon No. 44.

All dividends will be subject to deduction of German Capital Yields Tax of 25%.

The net amount of dividend is payable in German Marks. Paying Agents outside Germany will pay in the currency of the country in which the Coupon is presented at the rate of exchange on the day of presentation.

Coupon No. 44 may be presented as from 25th June, 1986 at the Company's Paying Agents in the United Kingdom:

Hambros Bank Limited
Hill Samuel & Co. Limited
Kleinwort Benson Limited
S.G. Warburg & Co. Ltd.

from whom claim forms may be obtained.

United Kingdom Income Tax will be deducted at the rate of 14% (14 Pence in the £) unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide the appropriate form for such recovery.

Leverkusen 19th June, 1986

BAYER AKTIENGESELLSCHAFT

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GILT-EDGED

unless pay settlements sharply it is inevitable with the strong disinflationary pressure exerted by port prices having evaporated, that inflation will be on a sharply rising trend next taking it towards 5 per cent more. Given this possibility, it is

...the powder dry.
...here all this the end of the
...ter then there would be
...chance of lower yields
...a moving towards 9 per
...What could cause this to
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investors would be (once again, but more massively), money supply, interest costs, the exchange rate of course, politics. Faced with this unsavoury combination, the yield curve could flatten and longer-dated rates move into double-digit territory once more.

The authors are on the staff of the broker Rowe & Putman, Mullens & Co

By Alison Eadie

the number of Woolworth
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— would be moved nearer
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The windows would be

S

Woolworth's vision of the future: Sir Kenneth Durham, chairman (inset, above) opened this newlook store in Edgware Road, London, this month. Below: Dixons' vision of the future with its chairman, Mr Stanley Kalms

Road, London, this month. Below: Dixons' vision of the future with its chairman, Mr Stanley Kalms



The larger holders have to think about what weighting they would want in a combined group, if they were to accept. All have to decide whether they want to see their concentration in the high street.

INVESTMENT TRUSTS

Capitalization	Price	Ch	Gr	Gross	De	
1 Company	Per	ge	ain	ess	bt	
	Share					
68.56 Adams	119	0	3.1b	2.8	55.4	
68.57 Adco	119	0	3.1b	2.8	55.4	
118.58 Amer. Trust	124	+2	4.4	3.2	54.3	
118.59 Amer. Trust	124	+2	4.4	3.2	54.3	
118.60 Amer. Trust	124	+2	4.4	3.2	54.3	
118.61 Amer. Trust	124	+2	4.4	3.2	54.3	
118.62 Amer. Trust	124	+2	4.4	3.2	54.3	
118.63 Amer. Trust	124	+2	4.4	3.2	54.3	
118.64 Amer. Trust	124	+2	4.4	3.2	54.3	
118.65 Amer. Trust	124	+2	4.4	3.2	54.3	
118.66 Amer. Trust	124	+2	4.4	3.2	54.3	
118.67 Amer. Trust	124	+2	4.4	3.2	54.3	
118.68 Amer. Trust	124	+2	4.4	3.2	54.3	
118.69 Amer. Trust	124	+2	4.4	3.2	54.3	
118.70 Amer. Trust	124	+2	4.4	3.2	54.3	
118.71 Amer. Trust	124	+2	4.4	3.2	54.3	
118.72 Amer. Trust	124	+2	4.4	3.2	54.3	
118.73 Amer. Trust	124	+2	4.4	3.2	54.3	
118.74 Amer. Trust	124	+2	4.4	3.2	54.3	
118.75 Amer. Trust	124	+2	4.4	3.2	54.3	
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119.63 Amer. Trust	124	+2	4.4	3.2	54.3	
119.64 Amer. Trust	124	+2	4.4	3.2	54.3	
119.65 Amer. Trust	124	+2	4.4	3.2	54.3	
119.66 Amer. Trust	124	+2	4.4	3.2	54.3	
119.67 Amer. Trust	124	+2	4.4	3.2	54.3	
119.68 Amer. Trust	124	+2	4.4	3.2	54.3	
119.69 Amer. Trust	124	+2	4.4	3.2	54.3	
119.70 Amer. Trust	124	+2	4.4	3.2	54.3	
119.71 Amer. Trust	124	+2	4.4	3.2	54.3	
119.72 Amer. Trust	124	+2	4.4	3.2	54.3	
119.73 Amer. Trust	124	+2	4.4	3.2	54.3	
119.74 Amer. Trust	124	+2	4.4	3.2	54.3	
119.75 Amer. Trust	124	+2	4.4	3.2	54.3	
119.76 Amer. Trust	124	+2	4.4	3.2	54.3	
119.77 Amer. Trust	124	+2	4.4	3.2	54.3	
119.78 Amer. Trust	124	+2	4.4	3.2	54.3	
119.79 Amer. Trust	124	+2	4.4	3.2	54.3	
119.80 Amer. Trust	124	+2	4.4	3.2	54.3	
119.81 Amer. Trust	124	+2	4.4	3.2	54.3	
119.82 Amer. Trust	124	+2	4.4	3.2	54.3	
119.83 Amer. Trust	124	+2	4.4	3.2	54.3	
119.84 Amer. Trust	124	+2	4.4	3.2	54.3	
119.85 Amer. Trust	124	+2	4.4	3.2	54.3	
119.86 Amer. Trust	124	+2	4.4	3.2	54.3	
119.87 Amer. Trust	124	+2	4.4	3.2	54.3	
119.88 Amer. Trust	124	+2	4.4	3.2	54.3	
119.89 Amer. Trust	124	+2	4.4	3.2	54.3	
119.90 Amer. Trust	124	+2	4.4	3.2	54.3	
119.91 Amer. Trust	124	+2	4.4	3.2	54.3	
119.92 Amer. Trust	124	+2	4.4	3.2	54.3	
119.93 Amer. Trust	124	+2	4.4	3.2	54.3	
119.94 Amer. Trust	124	+2	4.4	3.2	54.3	
119.95 Amer. Trust	124	+2	4.4	3.2	54.3	
119.96 Amer. Trust	124	+2	4.4	3.2	54.3	
119.97 Amer. Trust	124	+2	4.4	3.2	54.3	
119.98 Amer. Trust	124	+2	4.4	3.2	54.3	
119.99 Amer. Trust	124	+2	4.4	3.2	54.3	
120.00 Amer. Trust	124	+2	4.4	3.2	54.3	
120.01 Amer. Trust	124	+2	4.4	3.2	54.3	
120.02 Amer. Trust	124	+2	4.4	3.2	54.3	
120.03 Amer. Trust	124	+2	4.4	3.2	54.3	
120.04 Amer. Trust	124	+2	4.4	3.2	54.3	
120.05 Amer. Trust	124	+2	4.4	3.2	54.3	
120.06 Amer. Trust	124	+2	4.4	3.2	54.3	
120.07 Amer. Trust	124	+2	4.4	3.2	54.3	
120.08 Amer. Trust	124	+2	4.4	3.2	54.3	
120.09 Amer. Trust	124	+2	4.4	3.2	54.3	
120.10 Amer. Trust	124	+2	4.4	3.2	54.3	
120.11 Amer. Trust	124	+2	4.4	3.2	54.3	
120.12 Amer. Trust	124	+2	4.4	3.2	54.3	
120.13 Amer. Trust	124	+2	4.4	3.2	54.3	
120.14 Amer. Trust	124	+2	4.4	3.2	54.3	
120.15 Amer. Trust	124	+2	4.4	3.2	54.3	
120.16 Amer. Trust	124	+2	4.4	3.2	54.3	
120.17 Amer. Trust	124	+2	4.4	3.2	54.3	
120.18 Amer. Trust	124	+2	4.4	3.2	54.3	
120.19 Amer. Trust	124	+2	4.4	3.2	54.3	
120.20 Amer. Trust	124	+2	4.4	3.2	54.3	
120.21 Amer. Trust	124	+2	4.4	3.2	54.3	
120.22 Amer. Trust	124	+2	4.4	3.2	54.3	
120.23 Amer. Trust	124	+2	4.4	3.2	54.3	
120.24 Amer. Trust	124	+2	4.4	3.2	54.3	
120.25 Amer. Trust	124	+2	4.4	3.2	54.3	
120.26 Amer. Trust	124	+2	4.4	3.2	54.3	
120.27 Amer. Trust	124	+2	4.4	3.2	54.3	
120.28 Amer. Trust	124	+2	4.4	3.2	54.3	
120.29 Amer. Trust	124	+2	4.4	3.2	54.3	
120.30 Amer. Trust	124	+2	4.4	3.2	54.3	
120.31 Amer. Trust	124	+2	4.4	3.2	54.3	
120.32 Amer. Trust	124	+2	4.4	3.2	54.3	
120.33 Amer. Trust	124	+2	4.4	3.2	54.3	
120.34 Amer. Trust	124	+2	4.4	3.2	54.3	
120.35 Amer. Trust	124	+2	4.4	3.2	54.3	
120.36 Amer. Trust	124	+2	4.4	3.2	54.3	
120.37 Amer. Trust	124	+2	4.4	3.2	54.3	
120.38 Amer. Trust	124	+2	4.4	3.2	54.3	
120.39 Amer. Trust	124	+2	4.4	3.2	54.3	
120.40 Amer. Trust	124	+2	4.4	3.2	54.3	
120.41 Amer. Trust	124	+2	4.4	3.2	54.3	
120.42 Amer. Trust	124	+2	4.4	3.2	54.3	
120.43 Amer. Trust	124	+2	4.4	3.2	54.3	
120.44 Amer. Trust	124	+2	4.4	3.2	54.3	
120.45 Amer. Trust	124	+2	4.4	3.2	54.3	
120.46 Amer. Trust	124	+2	4.4	3.2	54.3	
120.47 Amer. Trust	124	+2	4.4	3.2	54.3	
120.48 Amer. Trust	124	+2	4.4	3.2	54.3	
120.49 Amer. Trust	124	+2	4.4	3.2	54.3	
120.50 Amer. Trust	124	+2	4.4	3.2	54.3	
120.51 Amer. Trust	124	+2	4.4	3.2	54.3	
120.52 Amer. Trust	124	+2	4.4	3.2	54.3	
120.53 Amer. Trust	124	+2	4.4	3.2	54.3	
120.54 Amer. Trust	124	+2	4.4	3.2	54.3	
120.55 Amer. Trust	124	+2	4.4	3.2	54.3	
120.56 Amer. Trust	124	+2	4.4	3.2	54.3	

APPOINTMENTS

Canadian Pacific: Mr Denis
st has been named as
ctor. financial services.
MC Group: Mr J C S
has been elected a non-
utive director

SL
IE
PA
Tel:

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A copy of this document, which comprises listing particulars with regard to Morgan Grenfell Group plc in accordance with The Stock Exchange (Listing) Regulations 1985, has been delivered for registration to the Registrar of Companies as required by those Regulations. The Directors of Morgan Grenfell Group plc, whose names appear in this document, are the persons responsible for the information contained in this document. To the best of their knowledge and belief the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents or the compliance with other necessary formalities, and to pay any issue, transfer or other taxes due in any such territory. The attention of persons who are nationals, citizens or residents of countries outside the United Kingdom is drawn to paragraphs (1) and (2) of "Terms and conditions of application" below.

MORGAN GRENFELL GROUP PLC

(Registered in England No. 1032332)

Offer of Ordinary Shares by Tender

Offer of 32,000,000 new Ordinary Shares of £1 each at a minimum tender price of 425p per share, the price tendered being payable in full on application

Sponsored by Cazenove & Co.

Underwritten through Cazenove & Co. and Morgan Grenfell Securities Limited

Introduction of 12,000,000 11½ per cent. Cumulative Preference Shares of £1 each

Application has been made to the Council of The Stock Exchange for all the issued 11½ per cent. Cumulative Preference Shares and the whole of the ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List. The Application List for the new ordinary shares will open at 10.00 a.m. on Thursday, 26th June, 1986 and may be closed at any time thereafter. The procedure for application and an application form for the new ordinary shares are set out at the end of this document. It is expected that admission of the ordinary shares and the 11½ per cent. Cumulative Preference Shares to the Official List will take place and dealings will commence on Thursday, 1st July, 1986.

Key information

The following information should be read in conjunction with the full text of this document.

Business

Morgan Grenfell is a merchant banking group with operations in the UK and overseas. The three principal subsidiaries are:

- Morgan Grenfell & Co. Limited, which is a member of the Accepting Houses Committee in London and provides investment and commercial banking and other financial services to UK and overseas clients
- Morgan Grenfell Asset Management Limited, which is responsible for investment management in the UK and internationally
- Morgan Grenfell Securities Holdings Limited, which is responsible for securities operations, including research, sales, distribution and market making

Financial record

	Years ended 31st December				
	1981	1982	1983	1984	1985
Profit before taxation	£ million	20.2	26.6	33.8	46.4
Earnings per ordinary share	p	13.7	19.0	22.3	25.2

These figures, which are extracted from the Accountants' Report, are stated on the basis that transfers to undisclosed reserves had not been made. In future the Group will not make such transfers.

Profit forecast for six months ending 30th June, 1986

The Directors are forecasting profit before taxation for the six months ending 30th June, 1986 of not less than £48 million and earnings per ordinary share of not less than 25.4p (fully diluted—23.9p). Attention is drawn to the content in which the forecast is made which is described under "Profit forecast and prospects" below.

Offer statistics at the minimum tender price

Minimum tender price	425p
Ordinary shares in issue after the Offer	150,592,490
Market capitalisation	£640 million
Historic price earnings multiple	11.8 times
Historic gross dividend yield	2.8 per cent.
Pro-forma net tangible assets per ordinary share after the Offer	216p
Estimated net proceeds for the Company	£131 million

- Notes:
- The historic price earnings multiple is based on earnings per ordinary share for the year ended 31st December, 1985, as set out in the Accountants' Report.
 - For further information on the basis on which the historic gross dividend yield is calculated, see "Dividends" below.
 - Pro-forma net tangible assets per ordinary share after the Offer are based on the pro-forma consolidated net tangible assets as set out in the Accountants' Report.

Share capital following the Offer

Authorized		Issued and fully paid
£		£
750,000	4 per cent. Cumulative Redeemable Preference Shares of £1 each	750,000
250,000	6 per cent. Cumulative Preference Shares of £1 each	250,000
12,000,000	11½ per cent. Cumulative Preference Shares of £1 each	12,000,000
6,736,067	5 per cent. Cumulative Convertible Redeemable Preference Shares of £1 each	6,736,067
209,825,500	Ordinary Shares of £1 each	190,592,490

Following the Offer, the ordinary shares now being offered will rank in full for all dividends and other distributions declared, made or paid on the ordinary shares of the Company.

A summary of the rights attaching to these classes of shares giving details of their dividend rights is set out in paragraphs 2(a) to (g) of "Memorandum and Articles of Association" below. The table includes a balancing share which has arisen pursuant to conversion of 5 per cent. Cumulative Convertible Redeemable Preference Shares, details of which are set out in paragraph 2(e) of "Memorandum and Articles of Association" and paragraph 1(d)(iii) of "Further information" below.

Loan capital

At 6th June, 1986, the outstanding loan capital of the Company and its subsidiaries, all of which was unsecured, was as follows:

Dutch guilders loan 8½ per cent. repayable 1978-87	£700
US dollar floating loan repayable 1991	1,581
US dollar loan repayable 1992	6,649
US Dollar Floating Rate Notes Due 1994	33,245
Sterling loan 15.33 per cent. repayable 1994-95	7,444
5 per cent. Convertible Unsecured Loan Stock 1996	14,619

Amounts of loan capital denominated in foreign currencies have been translated into sterling at market rates of exchange ruling on 6th June, 1986.

Definitions

"Company"	Morgan Grenfell Group plc
"Morgan Grenfell" or "the Group"	the Company and its subsidiaries including, where the context requires, their predecessors in business
"Bank"	Morgan Grenfell & Co. Limited
"M&G Asset Management"	Morgan Grenfell Asset Management Limited
"M&G Securities"	Morgan Grenfell Securities Holdings Limited
"Directors"	the Directors of the Company
"ordinary shares"	Ordinary Shares of £1 each in the Company
"new ordinary shares"	the 32,000,000 new ordinary shares the subject of the Offer
"Offer"	the offer by tender of 32,000,000 new ordinary shares set out in this document
"Capitalisation issue"	the one for one capitalisation issue of ordinary shares pursuant to the special resolution referred to in paragraph 1(e) of "Further information" below

Directors and advisers

Directors	Lord Catto	Chairman
	C. R. Reeves	Deputy Chairman and Group Chief Executive
	Sir Peter Carey, G.C.B.	
	Sir Kenneth Durham*	
	B. N. A. Hardman	
	G. L. Law	
	G. M. Nisken	
	D. V. Palmer*	
	Lord Pennock	
	C. F. M. Rawlinson	
	Sir John Sparrow	
	G. R. Walsh	
	C. M. J. Whittington	
	all of 23 Great Winchester Street, London EC2P 2AX	
	*Non-executive Directors	
Secretary	John Baylis, Solicitor	
Registered office	23 Great Winchester Street, London EC2P 2AX	
Sponsors and joint stockbrokers	Cazenove & Co. 12 Tokenhouse Yard, London EC2R 7AN	
Joint stockbrokers	Morgan Grenfell Securities Limited 23 Great Winchester Street, London EC2P 2AX	
Solicitors to the Company	Slaughter and May 35 Basinghall Street, London EC1V 5DB	
Solicitors to the Offer	Freshfields Grindall House, 25 Nevigate Street, London EC1A 7LH	
Auditors and joint reporting accountants	Spicer and Pegler, Chartered Accountants Friary Court, 65 Cranched Friar, London EC3N 2NP	
Joint reporting accountants	Peat, Marwick, Mitchell & Co., Chartered Accountants 1 Puddle Dock, Blackfriars, London EC4V 3PD	
Registrars	Lloyds Bank Plc, Registrar's Department Goring-by-Sea, Worthing, West Sussex BN12 6DA	
Receiving bankers	Lloyds Bank Plc, Registrar's Department Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL	

History

The history of Morgan Grenfell dates from the late 1830s when George Peabody, a merchant from Boston, Massachusetts, set up in business in the City of London. Peabody imported cotton and tobacco from, and exported textiles and manufactured goods to, the United States. The financing of trade by bills drawn on London led to the evolution of his business into that primarily of a bank granting trade credits. In 1854, Justin Spencer Morgan, also from Massachusetts, joined the partnership; in 1890 his interest passed to his son J. Pierpont Morgan, who was the founder of J. P. Morgan & Co. in New York.

The link with the United States was further developed during the nineteenth century as the firm began issuing railroad and other US securities in the London market. Other banking transactions included loan issues for Chile, Argentina and Spain and an issue of a £10,000,000 war loan for the French Government in 1870 when Paris was under siege. From January 1915 to August 1917, the greater part of the British Government's purchase orders for war supplies and related loan and exchange transactions with the United States were channelled through the partnership of J. P. Morgan & Co., who acted as the British Government's Purchasing and Financial Agent.

The name of the partnership became Morgan, Grenfell & Co. in 1910 when Edward Charles Grenfell was the senior partner in London. A change in American banking law in 1933 precluded the American partners from taking part in the management of the business of Morgan Grenfell and it subsequently became a limited liability company with a one-third minority shareholding retained by J. P. Morgan & Co. The connection ended in 1982 on the completion of the sale of this equity interest.

After the First World War, Morgan Grenfell's domestic business became increasingly important. It increased its involvement with industrial and commercial undertakings, through the acceptance of bills of exchange and as an issuing house.

In the years after the Second World War, the Bank held a leading position in the new issue market and acted in relation to the de-nationalisation of the majority of the British steel companies. It played a major part in underwriting debenture and loan stock issues for many industrial companies. During the 1960s, the Bank's corporate finance business became increasingly involved in mergers and acquisitions. The Group also developed its investment management business for corporate pension funds and entered the field of leasing. Thereafter the business developed in two principal ways. A larger and more effective banking capability was created and the Group greatly extended the range of its international activities and its presence overseas.

During the late 1970s, decisions were taken to increase the resources devoted to corporate finance, investment management and the eurobond market. In recent years, the Group has

achieved a leading position in the UK as a corporate finance adviser at a time of considerable activity in take-overs and mergers and has successfully expanded its investment management operations, particularly with overseas based clients. These factors have resulted in a significant increase in the Group's reputation and profits.

The recent expansion of the Group's existing operations and its commitment to new markets have been aided by the raising of new equity capital through rights issues in 1978, 1981 and 1984 and the subscription of a 4.9 per cent. interest by Deutsche Bank A.G. in December 1984. The shareholding base had begun to broaden from the mid 1960s when Willis Faber p.l.c. and certain institutional investors purchased shares. The subsequent rights issues and placing of J. P. Morgan's interest provided the opportunity to introduce additional institutional shareholders. Prior to the Offer, 30 major shareholders, including Willis Faber p.l.c., The Prudential Assurance Company Limited and Deutsche Bank A.G., owned approximately 85 per cent. of the issued ordinary share capital, the balance being owned by present and former Directors and employees and their families.

In anticipation of the forthcoming changes in the UK securities industry, Morgan Grenfell is aiming to enhance its position as a financial services group by becoming a significant participant in the securities markets. The Group has acquired the businesses of Pinchin, Denny & Co. and Pember & Boyle (respectively stockjobbers and stockbrokers) which are being integrated with the Group's existing securities business. This activity is complementary to the Group's position as a leading underwriter and issuing house.

A reorganisation of the corporate and management structure of the Group was initiated in Autumn 1985 against a background of growth in the Group's existing activities and the plans for a substantial commitment to securities trading. The reorganisation involved the separation of the operating management of the banking, asset management and securities businesses. These businesses are now conducted through three principal subsidiaries of the Company, namely Morgan Grenfell & Co. Limited, Morgan Grenfell Asset Management Limited and Morgan Grenfell Securities Holdings Limited, together with the overseas subsidiaries. These businesses are described below.

Description of the business

Morgan Grenfell & Co. Limited

Morgan Grenfell & Co. Limited is a recognised bank and is a member of the Accepting Houses Committee and the British Bankers' Association. Together with the overseas operations it provides investment and commercial banking and other financial services. The various divisions of the Bank work closely together in circumstances where co-operation and the exchange of expertise and ideas can enhance the service provided to clients.

Corporate Finance division

The Corporate Finance division is one of the largest and most active in the City of London and provides financial services to domestic and overseas clients. Those services comprise:

- advice on take-overs and mergers
- provision of finance for take-overs, mergers and acquisitions through securities underwriting
- raising funds through securities issues on The Stock Exchange, and also through private placings
- advice on obtaining listings for UK and overseas clients on The Stock Exchange
- advice on acquisitions and disposals of businesses, including identification of vendors or purchasers and negotiation of terms
- general advice on financial matters

Growth in the division's business over the past five years has been substantial, reflecting a high level of stockmarket activity and an increasing client base. For example, the 1981-82 edition of Crawford's Directory of City Connections recorded Morgan Grenfell as having 98 UK corporate clients (including joint advisory positions) compared with 143 in the 1986 edition. In 1981 financial advice on specific matters was provided to 100 clients; this had increased to 163 clients in 1985, of which 31 were overseas corporations.

The table below indicates the growth in the Corporate Finance division's transaction-related business in recent years.

	1981	1982	1983	1984	1985	5 months ended 31st May 1986
Number of transactions	51	52	66	81	110	43
Aggregate value £ billion	1.2	1.8	2.3	4.2	6.7	9.1
Number of transactions as % of period	56	63	61	69	81	84

Transactions included above comprise take-overs and mergers (whether acting for the offeror or offeree), acquisitions and disposals, rights issues, bond issues, placings and primary underwriting in privatisations. The provision of general advice on financial matters is not included. A transaction is included in the period in which it was completed. Some transactions have therefore been included in the above table in periods which differ from those in which the applicable fees and commissions have been brought into the Group's financial accounts; the relevant number and value of such transactions is not material. In the case of take-overs and mergers, which include successful and lapsed offers and unsuccessful where the Bank was a joint adviser, the only value taken is the total value of the final offer. In the case of bond issues, placings and underwritings in privatisations, the value included is that attributable to the securities offered, placed or underwritten by the Bank, as applicable, which did not involve a marketing of securities, such as introductions to The Stock Exchange, have not been included.

2 MORGAN GRENFELL GROUP PLC

The Bank is one of the leading advisers on UK take-overs and mergers. Advice is given to offeror and to offeree companies, in contested and recommended offers. Over the period covered by the table the greater part of the division's revenue has been earned from take-over, merger and acquisition activity and recently it has benefited from a number of very large transactions. In 1986 the Bank has been involved in two take-overs in which the aggregate consideration offered totalled £4.8 billion.

As well as providing advice on strategy, the Bank frequently plays a role as principal to assist its clients in take-overs. This takes two forms. It underwrites securities to provide a cash alternative to offeree shareholders, which in recent years has been an important element of offers, particularly where they are contested. In accordance with its normal practice when acting as primary underwriter, the Bank arranges sub-underwriting by institutional and other investors for substantially all of the primary underwriting risk. Over the period covered by the table above the Bank underwrote a total of £8.6 billion of securities in take-overs and mergers, counting separately underwriting carried out in initial and revised offers, of which £3.9 billion arose from the two transactions referred to above. In addition, the Bank will, where appropriate, commit funds by carrying out market operations in order to support particular bid tactics. These market operations are usually carried out under arrangements whereby profits or losses are attributable to clients. Guidelines recently introduced by the Bank of England limit the amount that may be committed to each such operation by reference to the Bank's capital base.

The Bank's position as a leading primary underwriter is also illustrated by the number and value of rights issues in which it has participated. Between 1st January, 1981 and 31st May, 1986 it underwrote 56 issues to raise over £1.6 billion. The Bank has also underwritten shares issued in several substantial tender placements and in a high proportion of the offers in H.M. Government's privatisation programme. As well as acting as adviser and issuing house in offers for sale, the Bank is active in arranging placings of securities with investors to raise capital for private companies and venture capital funds. It also sponsors the introduction of overseas corporations to The Stock Exchange in London, which in the case of a number of European companies has involved a placing of securities.

The division provides advice relating to acquisitions and disposals of private companies, subsidiaries and divisions. Advice is also provided on capital reorganisations and restructurings, investor relations and company valuations. There is a team of executives who research on behalf of clients into businesses which are or may be available for acquisition and into buyers for such businesses, as well as a team specialising in taxation matters.

Banking and Capital Markets division

The Banking and Capital Markets division provides a range of funding services, principally in the area of debt finance. These services comprise:

- managing and underwriting the issue of fixed rate bonds, convertible bonds, floating rate notes and equity in the international capital markets, and of sterling debt securities in the UK market
- interest rate and currency swaps
- arrangement, syndication and provision of term loans, acceptance credits and note issuance facilities in a variety of currencies
- lease finance and UK local authority project finance

The division was established in its present form during 1985 as a result of mergers of the Eurobond division, part of the International division and the Domestic Banking division. This reorganisation took place against the background of far-reaching structural changes in the world's banking and capital markets. These changes have involved a significant increase in the importance of tradeable debt instruments and associated financing techniques at the expense of bank lending, together with an increasing level of competition and pressure on margins. The division is organised so as to cover various product and marketing areas and aims to identify existing and potential clients' requirements and to ensure that these are met by the appropriate specialist groups.

Over the past five years the Bank has established a significant capital markets business and has materially increased its share of the eurobond issue market. Competition in the market is very considerable, with consequent pressure on profitability. Therefore, as part of the Bank's primary market activities in a range of currencies, it has pursued a policy of developing significant market share in eurosterling issues, specialising in equity linked business and placing an emphasis on innovation. In 1985, the majority of the Bank's lead management positions were in eurosterling and building issues. During the first five months of 1986 the Bank ran the books for 14 issues, 13 of which were eurosterling for a total amount of over £1 billion, representing over 25 per cent. of the value of all eurosterling issues in that period.

The division has devoted substantial resources to the development of its business in interest rate and currency swaps and in recently introduced related products such as futures, options and interest rate caps. In addition to the team in London, a team has been established in New York and the Group's offices in Singapore, Tokyo and Sydney also have personnel specialising in swaps, enabling the Bank to offer a swap capability in these markets. The Bank has recently expanded its position-taking and hedging capabilities in US dollars and sterling with a view to supporting an increased level of activity.

The lending and related banking activities of this division represent an important part of the Bank's business. These activities include the provision of corporate loans, acceptance credit facilities, local authority project finance and leasing finance. The division is responsible for a portfolio of such assets which, at 31st December, 1985, included £464 million (sterling equivalent) in loans and advances, including off-balance sheet transactions, £406 million in acceptance credits and £157 million net investment in finance leases. The division also arranges specialist financing such as take-over related finance, tax based loans and syndicated transactions including multiple option and note issuance facilities. In the first five months of 1986 the division arranged some £2 billion of facilities for such specialist financings. Whilst reduced UK tax benefits for tax based lending are expected to result in this area of finance becoming less important in the future, the division is developing its expertise in international leasing, non tax based forms of asset finance and aircraft finance. The Bank intends to participate in the new sterling short-term paper market.

Treasury division

The Treasury division is responsible for managing the deposit liabilities of the Bank and its liquid assets and domestic and international money market loans. The division conducts as principal a wide range of trading activities with central banks, government agencies, private sector and nationalised banks, corporations and other institutions in the UK and overseas. As well as trading with its own customers, the division's expertise is available to assist clients of other parts of the Group. The division covers four principal market areas:

- foreign exchange
- sterling domestic money market
- eurocurrency money markets
- financial futures and other off-balance sheet instruments

In foreign exchange, the division deals in the spot and forward markets in major convertible currencies and is a market maker in spot sterling, Japanese yen, deutschemark and Swiss francs, and in forward sterling, all against the US dollar.

The Bank takes sterling and foreign currency deposits from the London money and inter-bank markets and from other sources, primarily corporations, and issues certificates of deposit. At 31st December, 1985 deposits with the Bank amounted to some £2.2 billion, of which about 50 per cent. was denominated in foreign currencies. The division trades in sterling and US dollar certificates of deposit, gilt-edged securities, bankers' acceptances and local authority bonds.

The division enters into traded futures contracts and deals in off-balance sheet instruments, namely currency and interest rate options, short-term interest rate swaps and forward rate agreements. These markets and instruments are used both for trading purposes and for hedging the Bank's exposures created as part of the increasingly sophisticated financial services provided by other divisions to their clients.

The Bank's Treasury division consults with the treasury operations of overseas subsidiaries in relation to funding and trading policies. The division's personnel have frequent contact with the Group's team of economists, who analyse developments in the world's economies and financial markets.

International division

The International division has four main departments:

- Export credit and related commercial banking
- Southern Europe
- Energy and Project Advisory
- International Public Sector

The division's expertise in these areas is often combined with and complemented by the knowledge and experience of local operating conditions contributed by the Bank's overseas subsidiaries and representative offices. As well as playing a part in the execution of transactions, the overseas subsidiaries and offices assist the division in seeking new business.

The Bank has traditionally played a leading role in financing UK exports of capital goods and services through the Export Credit Guarantee Department. A substantial majority of loans handled by the division involve advances guaranteed by ECED or similar agencies in other

countries but sometimes direct exposures are taken, mostly in relation to export credit transactions. Morgan Grenfell has recently introduced the re-funding of guaranteed export credits through the international capital markets.

The Bank has recently set up broking operations in forfaiting and asset based finance and has expanded its role as an adviser on trade finance, in particular to trade debtors and creditors on the problems facing a number of countries. In addition, the division's experience in Middle Eastern countries has led to an increase in the number of assignments to advise overseas based contractors working on projects in those countries.

The Southern Europe department's activities in Italy, Spain, Portugal and Greece comprise arranging export finance and other banking facilities. In addition, the department works on transactions with the Corporate Finance division and the Group's presence in Southern Europe should allow advantage to be taken of the increased corporate finance activity which is expected to arise in those countries as their domestic securities markets become more sophisticated.

The Energy and Project Advisory department advises on the financing of capital projects and on acquisitions and disposals in energy related and other resource based industries. Activities in the UK have concentrated on services for the oil industry. The department has also participated in private sector proposals for government initiated projects, notably the cross-channel link. Internationally, the department's activities have included advice on the financing of a major participant's share in the North West Shelf gas project in Australia and it is currently advising a number of governments or governmental agencies on matters relating to resource industries.

The International Public Sector department provides advice for international agencies, governments, state enterprises and governmental agencies on external debt and fund raising strategies and other financial planning matters. In 1985, the department advised governments or central banks in 15 countries.

Loans and advances (including loans guaranteed by H.M. Government) for which the division is responsible totalled over £720 million (sterling equivalent) at 31st December, 1985.

Morgan Grenfell Laurie

Morgan Grenfell Laurie was formed in September 1985 by the merger of Morgan Grenfell Property Services Limited with the commercial surveyors and estate agents, Michael Laurie & Partners Limited. The Group currently owns 53.5 per cent. of Morgan Grenfell Laurie and has options to acquire the balance over a period of years. The business operates from offices in London and New York and its services include property asset management and advising property unit trusts as well as advice on the valuation, sale, letting and acquisition of commercial properties for occupation, investment or development.

Morgan Grenfell Asset Management Limited

Investment management represents a major activity of the Group. A discretionary management and advisory service covering all the world's leading securities markets is provided to over 300 UK and overseas institutional clients and to private investors.

Investment management services, which are the responsibility of MG Asset Management, are now provided through the following specialist operating subsidiaries:

- Morgan Grenfell Investment Management Limited undertakes the management of funds in the UK domestic securities markets for UK pension schemes, charities and private clients
- Morgan Grenfell International Funds Management Limited ("MGIFM") handles investment management in international securities markets for UK and overseas clients, including investment advice to Target Group PLC ("Target")
- Morgan Grenfell Investment Services Limited ("MGIS") is registered as an investment adviser with the US Securities and Exchange Commission and specialises in the management of international assets mainly for North American pension funds

Two overseas subsidiaries were established in 1985:

- Morgan Grenfell Capital Management Inc. intends to provide fund management services in US markets for US institutional clients
- Morgan Grenfell International Asset Management Co. Limited has commenced business in Tokyo as an investment adviser to Japanese and other clients investing in Japanese assets

Details of funds under discretionary management, together with the funds attributable to the investment advisory contracts with the Target group, are set out below:

	1981	1982	1983	1984	1985	At 31st March 1986
	£ million	£ million	£ million	£ million	£ million	£ million
UK pension funds	1,529	2,176	2,966	3,256	3,585	5,330
Charities, UK private clients and miscellaneous	251	272	289	372	428	451
MGIFM (excluding Target funds and other unit trusts and investment trusts)	1,228	1,996	2,632	3,208	3,977	3,867
Target funds and other unit trusts and investment trusts	—	—	261	659	817	1,069
MGIS	112	246	630	1,095	1,519	1,897
Total	3,120	4,690	6,808	8,590	9,920	12,614

*Includes £1,047 million of funds managed by Pender & Boyle, the business of which was acquired by the Group in April 1986. In some cases these funds are managed jointly and the pro rata share of the relevant gross amounts has been included.

Funds invested in non-sterling denominated assets have been translated into sterling at market rates ruling at the dates shown.

The increase in funds under management is attributable to a number of factors, including rises in world stockmarkets and appreciation of certain currencies against sterling. In addition to funds received from new and existing clients net of funds withdrawn, funds under management were increased in April 1986 by pension funds managed by Pender & Boyle, which are included in the table above. As well as pension funds, captive insurance companies, UK and overseas corporations and private investors, clients include governments and governmental agencies, one of which has had funds managed by the Group for longer than the period covered by the table and accounts for a significant amount of the total funds under management.

The Group has an established position in the management of UK pension funds and has successfully expanded the international element of its investment management activities. A recent independent survey ranked MGIS as the largest non-US manager of US pension plan assets invested outside the US. MGIFM has a significant position in fixed income management for captive insurance companies.

The Group is involved in the UK personal savings market through its association with Target, which is one of the larger unit linked life assurance companies in the UK and which specialises in marketing a variety of personal savings and pension plans. In addition to an equity interest of 19.9 per cent. in Target, the Group has since May 1984 had investment advisory contracts in relation to the Target life funds and authorised unit trusts bearing the Target name. These contracts are for an initial period of five years.

The Group manages two listed investment trusts, Anglo-American Securities Corporation PLC and North Atlantic Securities Corporation PLC, under contracts terminable on 12 months' notice. The Group's other investment management contracts are generally open-ended but terminable on 30 days' notice or less.

The Group's investment management revenues arise principally from fees based on the value of funds under management. The Group often deals on an aggregate basis for more than one client and retains the benefit of lower transaction charges (including commission rates) in overseas and UK stockmarkets than would have applied had it dealt separately for each client; this benefit is now relatively small in respect of UK stockmarket transactions and is being replaced in many cases by proposed new fee scales. The Directors do not expect that the forthcoming abolition of fixed commission scales in the UK stockmarket will have a material effect on investment management revenues.

The expenses directly attributable to investment management activities in the current year are expected to be considerably higher than in 1985, reflecting the recent move to new premises and investment required as a basis for future growth. This involves an increase in staff costs, investment in new ventures overseas and in upgraded computer systems.

Pension fund management remains the core of the investment management activities for UK clients. In recent years the Group has developed its involvement in the personal savings market through its association with Target and it is intended to pursue this new area of business in future. The Directors see considerable opportunity for the continued expansion of the international fund management activities of MGIFM and MGIS. New European, Middle Eastern and Australian institutional clients have been gained during the past two years for the management of internationally diversified portfolios. Diversification by North American pension funds into international markets is expected to increase and US public sector superannuation funds, which are less advanced in their diversification than the private sector, represent a major target for MGIS. The development of the new fund management ventures in the US and Japan is also a priority.

Morgan Grenfell Securities Holdings Limited

MG Securities has been established as the holding company for the Group's UK based operations in the securities markets. Changes in the rules of The Stock Exchange, which now permit direct access to the market by outside corporate members and which are expected to allow dual capacity trading from 27th October, 1986, present Morgan Grenfell with the opportunity to enhance its position as a financial services group by building an integrated securities trading and distribution capability. Its objective is to provide a full securities service to its clients, offering research, sales, order execution and settlement capability as a broker/dealer, and to act as a market maker. It will also distribute new issues of securities on behalf of the Bank. Development of these operations requires substantial investment in personnel, premises and

computer systems as well as commitment of capital to enable the MG Securities Group to execute business as a market maker and a broker/dealer.

It is intended that the UK based securities operations should form part of a network, comprising a number of the Group's overseas subsidiaries. In New York, Morgan Grenfell Inc. has been admitted as a member of the New York Stock Exchange and the National Association of Securities Dealers Inc. and in Tokyo discussions are being held with the Japanese Ministry of Finance with a view to making a formal application for a branch securities licence. The Directors believe that there is considerable scope for the development of the Group's securities business in both these major financial centres.

The securities business is being built both by acquisition and by recruitment of experienced personnel. In March and April 1985 agreements were entered into with the partnerships Pender & Boyle and Pinchin, Denny & Co. ("Pinchin Denny") under which the Company became a limited partner in each business and was granted options for the acquisition. These of the whole of those businesses when permitted by the rules of The Stock Exchange. These acquisitions were completed in April 1986. Extensive planning has been undertaken to create the business structure which will become fully operational when permitted by The Stock Exchange later this year.

The Board of MG Securities is made up from senior representatives of Pinchin Denny, Pender & Boyle and Morgan Grenfell, together with experienced personnel who have been recruited. These personnel include Alistair Buchanan, previously Chairman of Cater Allen Holdings PLC, Geoffrey Collier, previously President of Vickers de Costa Securities Inc., and John Holmes, previously President of Hoare Gove & Co. Inc. MG Securities now employs over 350 people, including 45 in securities sales, 45 in research, 95 in market making and 104 in settlement and accounts.

The Group is developing and modifying existing computer systems, including the trading system of Pinchin Denny, in order to meet the requirements of the new market environment. These developments include a new computer based network that is being designed to distribute information and other services to market makers and sales and research staff. The Group's systems development department, which now includes staff formerly employed by Pinchin Denny, is planning and implementing these systems.

The Group's present securities business consists of stockbroking and jobbing in single capacity in UK equities and debt securities on The Stock Exchange as well as dual capacity trading in bonds and overseas equities. When fully operational, the MG Securities group will offer clients a service through subsidiaries operating in the following areas:

UK and international equities

Morgan Grenfell Securities Limited ("MGS") will conduct broking and market making activities in UK equities when permitted by The Stock Exchange. MGS currently has research analysts covering each of the building, engineering, beverages, retailing, health and household, oils, banking and insurance, property and investment trust sectors and intends to expand the coverage into other sectors over the next few months. In addition to acting as a broker/dealer, MGS intends to register as a market maker in several hundred UK equities, listing its activities on the experience and systems contributed by Pinchin Denny. MGS also aims to become a corporate broker and has already distributed securities and arranged sub-underwriting for issues sponsored or underwritten by the Bank.

Morgan Grenfell Securities International Limited ("MGSI") started business in December 1985 in succession to Pinchin Denny's international dealership. Additional staff experienced in sales and research were recruited and MGSI now provides a dual capacity service in a number of overseas equities listed on Continental European or Far Eastern stock exchanges. MGSI is providing useful experience in dual capacity trading ahead of the changes which will take place in the UK securities markets.

UK and international debt securities

Morgan Grenfell Government Securities Limited ("MGGS") is a member of The Stock Exchange and currently trades under the name of Pender & Boyle as a broker in gilt-edged and other sterling debt securities. The Bank of England has indicated that it is willing in principle to deal with MGGS as a gilt-edged market maker in the future structure of the gilt-edged market. MGGS will trade in dual capacity when permitted by The Stock Exchange, integrating the relevant market making operations of Pinchin Denny with the institutional sales expertise of Pender & Boyle.

The International Capital Markets Sales and Trading department makes markets in eurosterling bonds and sterling and US dollar floating rate notes. It also trades in other foreign currency bonds, including eurobonds and convertibles, and warrants. The department's sales team sells international debt securities to investors clients in the UK, Continental Europe and elsewhere and plays an important role in the distribution of new issues of debt securities underwritten by the Bank.

Financial futures

Morgan Grenfell Financial Futures Limited is a broker in the financial futures markets, holds two seats on the London International Financial Futures Exchange and is an individual clearing member of the International Commodities Clearing House.

Overseas operations

Morgan Grenfell has an international network of overseas subsidiaries and representative offices, comprising subsidiaries in nine overseas countries as well as in the Channel Islands and Cayman Islands, and representative offices in a further thirteen countries. The overseas subsidiaries have grown substantially over the past five years and at 31st May, 1986 employed a total of 409 personnel.

Australia and New Zealand

Morgan Grenfell Australia provides a range of merchant banking services, comprising capital market operations, investment management and project finance advice and has established a leading presence in the Australian domestic corporate finance sector. It has offices in Sydney, Melbourne, Adelaide and Perth. It has recently acquired a 50 per cent. interest in Hordern Uitz & Bode, stockbrokers based in Sydney and a 50 per cent. interest in Barnes, Tolhurst and Milner, a firm of Adelaide stockbrokers.

Morgan Grenfell New Zealand commenced operations in April 1986 and will concentrate initially on corporate finance and project advisory services.

Continental Europe

Morgan Grenfell has subsidiaries in Geneva, Paris and Milan. Banque Morgan Grenfell en Suisse is a bank and mainly provides investment management, trustee and private banking services; Morgan Grenfell (Switzerland) is a finance house involved in the Swiss franc primary markets and in trading in Swiss franc bonds and notes. Morgan Grenfell France is involved primarily in advising on mergers and acquisitions, whilst Morgan Grenfell Italia is a leader in providing financial advice to exporters of Italian capital goods. The Group also has representative offices in Frankfurt, Athens and Madrid.

Far East

Morgan Grenfell has subsidiaries in Singapore and Hong Kong and a representative office and an investment advisory company in Tokyo. Morgan Grenfell (Asia) in Singapore, as well as having an established banking and corporate finance business, arranges export and project finance and has a growing treasury operation. Morgan Grenfell (Hong Kong) was established in 1984 and is involved in corporate finance, project finance and company management and nominee services.

In Japan, the Bank established a representative office in 1981 and has been developing a wide range of contacts with Japanese commercial and financial institutions. These contacts in Japan have assisted the Bank in London and other Group subsidiaries in obtaining capital markets business with major Japanese corporations. In addition, Group companies have established a significant level of project finance advisory work for Japanese companies. A subsidiary was established in late 1985 to provide investment advice to Japanese clients.

United States of America

Morgan Grenfell Inc. provides investment banking services. In addition to advising on corporate finance transactions it fulfils an important role in co-ordinating transactions with the Corporate Finance division in London. Its other operations include arranging asset based financing and a successful risk-arbitrage department. An experienced swaps trader has recently been recruited. In April 1985 Morgan Grenfell Inc. was admitted as a member firm by the New York Stock Exchange. Morgan Grenfell Capital Management Inc. was established in 1985 with the objective of providing fund management services in US markets for US institutional clients.

Channel Islands and Cayman Islands

Morgan Grenfell (Jersey) and Morgan Grenfell (Guernsey) provide banking facilities in sterling and foreign currencies to personal and corporate customers and also provide company secretarial, accounting, trustee, nominee and other management services. They have investment management operations which are closely linked to those in London. The Channel Islands subsidiaries were established in 1972, since when they have grown materially in size. Aggregate balance sheet totals of these subsidiaries have increased from £194 million at 31st December, 1981 to £615 million at 31st December, 1985. Morgan Grenfell (Cayman) was incorporated in 1983 to offer services similar to those provided by the Channel Islands operations, with which it works in close conjunction.

JPY 120.50

MORGAN GRENELL GROUP PLC

3

Directors, senior management and employees

Group management

The Board of the Company has ultimate responsibility for the Group's affairs including strategic development of its business, major financial decisions including investment and divestment and the appointment of key personnel. The Group Chief Executive is responsible for the day to day management of the Group and for the co-ordination of its operations.

Directors of the Company

The Directors of the Company and their responsibilities within the Group are set out below:

Stephen Gordon Catto, Baron Catto of Cairacatto, aged 63, is Chairman. He has spent substantially the whole of his working life with Morgan Grenfell; he became a Director of the Bank in 1957, its Chairman in 1974 and succeeded J. E. H. Collins as Chairman of the Company in 1980. He is also Chairman of Yule Catto & Co. plc and of the United Kingdom branch of the Australian Mutual Provident Society and is a Director of The General Electric Company, p.l.c. and The News Corporation Limited.

Christopher Reginald Reeves, aged 50, is Deputy Chairman and Group Chief Executive; he is also Joint Chairman of the Bank. Having joined the Group in 1968 he became a Director of the Bank in 1970, head of its Banking division in 1972, Deputy Chairman and Deputy Chief Executive of the Bank in 1975 and Group Chief Executive in January 1980. He is a Director of BICC plc and Deputy Chairman of the London Board of Westpac Banking Corporation.

Sir Peter Carey, G.C.B., aged 62, was appointed to the Board in 1983 following his retirement as Permanent Secretary to the Department of Industry, a position he had held for the previous 10 years. He is involved in the development of client and government relations in the UK and overseas. He is Chairman elect of Dalgely PLC, a Director of Cable & Wireless PLC, BPB Industries PLC and Westland PLC and a member of the supervisory board of Philips NV.

Sir Kenneth Durham, aged 61, is a non-executive Director. He was appointed to the Board in January 1986 and retired as Chairman of Unilever PLC in May 1986. He is Chairman of Woolworth Holdings plc and a Director of British Aerospace plc and Delta Holdings PLC.

Blaise Noel Anthony Hardman, aged 46, is Chairman of MG Securities. He joined the Group in 1962, became a Director of the Bank in 1972, head of the Banking division in 1976 and head of the Treasury division in 1979. He assumed responsibility for the development of the Group's securities business in 1984. He is a Director of Matthew Clark and Sons (Holdings) PLC.

George Llewellyn Law, aged 56, is Group Compliance Director. Prior to joining the Bank as a Director in 1968 he was a partner in Slaughter and May. He was head of the Bank's Corporate Finance division from 1975 to 1979 and subsequently worked in Group central management. He is a Director of Blackwood Hodge p.l.c. and Baker Perkins PLC and a member of the Law Society's Standing Committee on Company Law.

George Maltland Nissen, aged 56, was formerly senior partner of Pender & Boyle and became a Director of the Company in 1984. He is deputy Group compliance officer. He is a member of the Council of The Stock Exchange and Chairman of the recently constituted Gilt-Edged Market Makers' Association.

David Vereker Palmer, aged 59, became a non-executive Director of the Company in 1982. He is Chairman and Chief Executive of Willis Faber p.l.c.

Raymond William Pennock, Baron Pennock of Norton in the County of Cleveland, aged 66, joined the Board in 1984 having been Chairman of BICC plc and, before that, a Deputy Chairman of Imperial Chemical Industries PLC. He is involved in the development of client and government relations in the UK and overseas. He is Chairman of the Channel Tunnel Group Limited, a Deputy Chairman of The Plessey Company plc and a Director of Standard Chartered PLC and Willis Faber p.l.c.

Charles Frederick Melville Rawlinson, F.C.A., F.C.T., aged 52, is Joint Chairman of the Bank. He joined the Corporate Finance division in 1962 and became a Director of the Bank in 1970; from 1974 to 1985 he was responsible for Group finance and became Joint Deputy Chairman of the Bank in 1983 and its Joint Chairman in 1985. He is Chairman of Associated Paper Industries plc and a Director of Willis Faber p.l.c. Since 1984 he has been Chairman of the Hundred Group of Chartered Accountants.

Sir John Sparrow, F.C.A., aged 53, is Chairman of MG Asset Management. He joined the Group in 1964 and became a Director of the Bank in 1970. Prior to assuming responsibility for the Group's investment management business he had been head of the Corporate Finance and Investment divisions and subsequently worked in Group central management. He was head of the Central Policy Review Staff from 1982 to 1983 and is Deputy Chairman of Short Brothers PLC and a Director of Colette Group PLC.

Graham Robert Walsh, F.C.A., aged 46, is head of the Corporate Finance division of the Bank which he joined as a Director in 1973. From 1979 to 1981 he was Director General of the Panel on Take-overs and Mergers and is currently Chairman of the Issuing Houses Association. He is a Director of Ward White Group plc.

Christopher Mark John Whittington, F.C.A., aged 47, is Group Director, Overseas Companies. He joined the Group in 1968 and became a Director of the Bank in 1973. In 1979 he became head of the International Banking division. In 1984 he assumed responsibility for the development of the Group's business in the United States of America and in 1985 overall responsibility for the Group's overseas subsidiaries (other than the Channel Islands and Cayman Islands).

Other senior management with Group responsibilities

Certain other senior officers within the Group have responsibilities for Group functions as follows:

David John Ewart, F.C.A., aged 50, is responsible for Group finance and is finance director of the Bank. He joined the Bank as a Director in the Corporate Finance division in 1982 having formerly been Deputy Chairman of Guinness Mahon & Co. Limited; he was appointed to his present position in 1985. He is Chairman of RHP Group plc and a Director of Majestic Investments PLC.

David Chaloner Keys, aged 52, is responsible for Group credit policy and is Chairman of the Group credit and audit committees. He is also Chairman of the Group's subsidiaries in Jersey, Guernsey and the Cayman Islands. He joined the Group from the Bank of England in 1971, became a Director of the Bank in 1973 and was head of its Domestic Banking division from 1979 to 1985. He is a Director of Target Group PLC and of HFC Trust and Savings Limited.

George Sinclair Miller, F.C.M.A., aged 49, is responsible for Group personnel and planning. He joined the Group in 1972 and in 1974 became a Director of the Bank in the International Banking division where he worked until 1985 when he assumed his present responsibilities.

International Advisory Council

The following are members of the Group's International Advisory Council:

Lord Catto, Chairman, Morgan Grenfell Group plc.

D. V. Bendall, C.M.G., M.B.E., former Chairman, Morgan Grenfell International Limited, Chairman, Banque Morgan Grenfell en Suisse S.A.

A. V. Casey, United States Postmaster General, former Chairman of the Board and Chief Executive Officer, American Airlines Inc.

J. E. H. Collins, M.B.E., D.S.C., former Chairman, Morgan Grenfell Group plc, Chairman, Guardian Royal Exchange Assurance plc.

A. Hay, Director, Banque Morgan Grenfell en Suisse S.A., President of the International Committee of the Red Cross and former Director General and Deputy Chairman of the Swiss National Bank.

J. Kraaijeveld van Hemert, President of the Executive Board of the Royal Boskalis Westminster Group N.V.

A. Jeancourt-Galignani, President and Chief Executive Officer, Banque Indosuez.

Hon. P. Loughheed, Senior Partner, Bennett Jones, Calgary, former Premier of the Province of Alberta.

S. Miyake, Chairman, The Tokai Bank, Limited.

Lord O'Brien of Lothbury, P.C., G.B.E., former Governor of the Bank of England.

K. W. Stead, A.C., O.B.E., Chairman, Morgan Grenfell Australia Limited, former Director and General Manager, Australian Mutual Provident Society.

Lord Taylor of Gryfe, D.L., former Chairman, Morgan Grenfell (Scotland) Limited.

Management of principal subsidiaries

Morgan Grenfell & Co. Limited

Joint Chairman: C. R. Reeves (Group Chief Executive) C. F. M. Rawlinson*

Corporate Finance division

G. R. Walsh* P. I. Espenbain R. H. K. Seelig
S. T. Badger P. W. Evans R. N. Sharpe
P. H. G. Cadbury J. N. Garrow R. M. L. Webb
J. Q. Davies G. M. Magan D. W. Wells
G. N. Dawson A. E. Richmond-Watson R. H. Westcott

Banking and Capital Markets division

J. P. L. Perry* J. A. Franklin J. B. Rawlings
A. G. Catto N. H. Gold J. W. van der Velden
J. H. Forsyth G. A. F. Liddell

International division

D. A. C. Douglas-Horne* A. F. Hobler D. Suratgar
G. C. Cefis P. J. McAfee J. S. S. Syrett
M. E. Hildesley

Treasury division

G. T. Munn* M. P. Knight P. Wing

Overseas department and companies

C. M. J. Whittington G. Dryden (Channel Islands) G. G. Hill (Sydney)
A. H. Dunn J. B. Fraser (New York) Hsueh Fu Hsu (Singapore)
R. F. Binyon (Tokyo) K. R. Harris (New York) C. J. Knight (Hong Kong)

Morgan Grenfell Laurie

E. Bernard J. W. Lockhart P. J. Dawtry

Finance director: D. J. Ewart Credit and audit: D. C. Keys*

Morgan Grenfell Asset Management Limited

Chairman: Sir John Sparrow* Managing director: J. H. L. Norton*
M. Bullock W. P. Dwerryhouse P. B. H. Polonietcki
M. W. R. Dobson* M. J. Meyrick* A. M. Wheatley
M. P. Douglas R. P. Morris
N. R. Dunford G. A. Owen

Morgan Grenfell Securities Holdings Limited

Chairman: B. N. A. Hardman*

UK and international equities

J. R. Holmes* A. A. J. Bartlett B. D. Postan
G. W. Collier*

Gilt-edged and other debt securities (including Pender & Boyle)

A. J. Buchanan* J. F. T. Dundas* J. J. H. Wormell

Pinchin Deasy & Co.

V. A. L. Powell M. Nickerson L. Perry

R. J. A. Keeble

Corporate finance: E. K. Ford (with effect from 1st September, 1986)

Finance director: E. A. Bradman

* Members of the management committee of the respective subsidiaries

Group functions

The senior executives with responsibilities for Group functions, each of whom is a director of Morgan Grenfell & Co. Limited, are as follows:

Compliance: G. L. Law Personnel and planning: G. S. Miller
Finance: D. J. Ewart Management services and systems: R. M. J. Taylor
Credit and audit: D. C. Keys

Employees

The Group currently employs over 2,000 people of whom over 400 are based overseas. The following table shows the number of employees at 31st May, 1986:

Morgan Grenfell & Co. Limited	
Corporate Finance	120
Banking and Capital Markets	129
Treasury	34
International	131
Morgan Grenfell Laurie	122
MG Asset Management	251
MG Securities	353
Financial administration for the Group	98
Central services	
Group secretariat, legal and tax departments	25
Management services division	173
Systems division	146
Personnel department	30
Other central management departments*	59
Overseas	
Australia and New Zealand	89
Switzerland	36
Singapore	15
USA	71
Channel Islands and Cayman Islands	105
Others	53
London based	9
Total	2,089

* Other central management departments include corporate affairs, economics, financial analysis, credit control and internal audit.

The Board attaches much importance to the motivation of employees and is concerned to ensure that the structure and procedures of the Group encourage full development of individual talents and provide adequate opportunity for career development. Remuneration, incentive arrangements and performance-related bonuses are intended to reflect conditions prevailing in the various markets in which the Group operates and to be flexible in responding to changes in those markets.

The Directors believe that employee share schemes are an effective means of promoting employees' involvement in the performance of the Group. All full-time employees with more than five years' service obtain an equity participation in the Company by receiving an allocation of shares under the Morgan Grenfell Share Participation Scheme, which was introduced in 1980. Senior staff are granted options under the 1984 Share Option Scheme, a scheme approved under the Finance Act 1984. Options have been granted under that Scheme and the 1974 Share Option Scheme to over 400 employees. The Group has recently introduced parallel share participation and share option schemes for overseas employees. The employee share schemes are subject to certain limits which are summarised in paragraph 3 of "Further information" below.

More than 650 employees are shareholders in the Company. Before the Offer, 9.5 per cent. in aggregate of the equity share capital was owned by staff, Directors and their families, including two per cent. held under the Share Participation Scheme. Arrangements have been made whereby up to ten per cent. of the shares now being offered will be reserved in the first instance for applications from full-time employees of the Group.

The Group operates two non-contributory pension schemes for UK employees, the Morgan Grenfell Staff Pension Scheme and the Morgan Grenfell Senior Group Pension Scheme, which cover approximately 1,500 and 65 employees respectively. The Directors consider that the schemes are each adequately funded. Pension arrangements for overseas nationals are made by their employing companies, taking account of local employment conditions and regulatory requirements.

Group financial record

Profit and loss account

The adjusted results of the Group for the five years ended 31st December, 1985, which have been extracted from the Accountants' Report and are compiled on the bases set out in that Report, are summarised below. In particular, the Group's results have been adjusted on the basis that the transfers to undisclosed reserves, which have hitherto been made in the Group's audited accounts, had not been made. In future the Group will not make transfers to undisclosed reserves.

		Years ended 31st December				
		1981	1982	1983	1984	1985
Profit before taxation	£ million	20.2	26.6	33.8	46.4	68.9
Taxation	£ million	8.1	9.2	13.6	22.0	27.4
Profit attributable to ordinary shareholders						
After preference dividends but before extraordinary items	£ million	11.2	16.0	18.8	23.0	40.1
Earnings per ordinary share	p	13.7	19.0	22.3	25.2	36.0

Over the period the Group's profit before taxation and earnings per share have grown at compound annual rates of 36 per cent. and 27 per cent. respectively. Earnings per share growth from year to year has been affected by a varying tax charge and by issues of ordinary shares.

The Group has established a leading position as a UK corporate finance adviser and has benefited from a large market share during a period in which there has been a high level of take-over and merger activity and companies have raised large amounts of new equity capital. Corporate finance activities have made the largest contribution to the growth in profits.

Investment management has made an important contribution to growth in profits, reflecting the increase in value of funds under management. Banking activities have also increased their aggregate profits over the period.

The Directors are of the view that it is impracticable to calculate the exact profit contribution of each of the Group's activities owing to the interdependence and varying uses of capital and other resources from time to time of certain of those activities. The changing balance of the Group's revenues is illustrated in the following table which shows the percentage contribution to total revenues of various activities of the Group.

	Years ended 31st December				
	1981	1982	1983	1984	1985
Banking, including interest on free capital	69	68	56	52	44
Corporate finance	14	15	20	24	32
Investment management	16	16	21	21	21
Other revenues	1	1	3	3	3
	100	100	100	100	100

Revenues comprise interest received (net of interest payable), net fees and commissions, and other income. The contribution to total revenues is based on management accounts and revenues are stated before expenses and provisions. Revenues from overseas subsidiaries have been allocated to the appropriate activities in the table. "Banking" includes the activities of the Banking and Capital Markets division (except secondary trading) and the Treasury and International divisions of the Bank. "Other revenues" includes the contribution from secondary market arbitrage and other securities trading. No contribution from Pinchin Deasy and Pender & Boyle is included in the table; these businesses were not wholly-owned by the Group until April 1986.

Whereas total revenues have grown at broadly the same rate as total expenses over the period, in the past two years in particular the percentage growth in revenues from corporate finance activities has exceeded the percentage growth in expenses directly attributable to those activities.

Overseas subsidiaries (including a significant contribution from the Channel Islands) contributed 18 per cent. of total revenues for the year ended 31st December, 1985, but a lower proportion of profits. These subsidiaries have increased their aggregate profits over each of the past five years.

An extraordinary charge of £10.6 million was made in 1984 in respect of the Group's leasing portfolio as a result of reductions in rental income triggered by the progressive reductions in the rates of corporation tax introduced in the Finance Act 1984. This legislation also necessitated an additional extraordinary charge in 1984 of £1.7 million related to adjustments in respect of deferred tax relief on certain loan provisions.

Balance sheet

Total shareholders' funds (including previously undisclosed reserves) have increased from £88 million at 31st December, 1981 to £239 million at 31st December, 1985; the retention of earnings from the Group's strong profit performance contributed half of this increase. Cash injections through new equity capital in 1984 and 1985 totalled £59 million; the capital base of the Group has also been increased by the raising of loan capital.

The Group's balance sheet totals increased by 89 per cent. between 31st December, 1981 and 31st December, 1985 to approximately £4,000 million. Underlying growth in assets between 1984 and 1985 is not reflected in increased balance sheet totals as a consequence of the appreciation of sterling over that period and the resulting reduction in the sterling equivalent value of foreign currency assets.

The Group's assets are funded largely by taking deposits from the London money and inter-bank markets and by taking other short-term deposits from corporations. At 31st December, 1985 Group liquid assets (represented by balance sheet headings down to and including "Money at short notice") amounted to some 39 per cent. of Group current and deposit accounts. Loans guaranteed by F.M.A. Government amounted to 35 per cent. of risk assets (represented by total loans and advances, other than loans to banks, net investment in finance leases and liability of customers for acceptances) and accounted for the greater part of the growth of those risk assets from 1981 to 1985.

The following table shows the geographical exposure of total assets, net of all provisions, at 31st December, 1985:

	Per cent. of balance sheet
total	100
UK	58.8
Japan	15.3
Western Europe (other than UK)	12.6
North America	5.4
Far East (other than Japan)	2.7
Australia	2.4
Latin America	1.1
Other	1.5

Total exposure in countries experiencing payment difficulties (most of which is sovereign risk) amounted to £51 million net of provisions at 31st December, 1985, representing approximately 1.3 per cent. of balance sheet totals. In addition to specific provisions against identified bad and doubtful debts, general provisions are made in respect of the Group's banking portfolio.

Following the acquisition of the whole of the business of Pinchin Deasy earlier this year, there has been a very substantial increase in assets and liabilities associated with securities trading. In addition, balance sheet totals of the Bank have increased since the year end.

Profit forecast and prospects

The Directors forecast that, in the absence of unforeseen circumstances, profit before taxation for the six months ending 30th June, 1986 will be not less than £48 million. This level of profits reflects a very high contribution from corporate finance activities and a good performance overall from the other activities of the Group.

On the basis of this profit forecast and assuming a tax charge for the six months to 30th June, 1986 of 36 per cent., earnings per ordinary share will amount to not less than 25.4p on the adjusted weighted average number of ordinary shares in issue during the period (before dilution for share options and convertible securities in the Company). Earnings per ordinary share on a fully diluted basis would be not less than 23.9p. This forecast takes no account of the issue of ordinary shares pursuant to the Offer.

The Group's involvement in two very large take-over offers in the UK has been an important factor in the level of profits forecast for the first half of the year. It cannot be assumed that corporate finance transactions of similar value will arise in the second half. It is also too early to predict the effect of forthcoming changes in UK securities markets on the results of the Group in the final two months of the financial year. However, the Directors have confidence in the outcome for 1986 as a whole.

The bases and assumptions underlying the forecast, together with letters from Peat, Marwick, Mitchell & Co. and Spicer and Pegler and from Cazenove & Co. relating to the forecast, are set out in "Information relating to the profit forecast" below.

The results for the six months ending 30th June, 1986 are expected to be published before the end of October 1986 and will be audited.

Dividends

The Directors consider that, had the Company's ordinary share capital been listed during the financial year ended 31st December, 1985, they would have recommended the payment of total dividends of 8.5p per ordinary share (adjusted for the Capitalisation Issue) in respect of that financial year. This notional dividend would represent at current income tax rates an historic gross dividend yield of 2.8 per cent. at the minimum tender price.

The Directors intend in respect of the year ending 31st December, 1986 and in future years to pay interim dividends in November and final dividends in May in the approximate proportions one third and two thirds. The new ordinary shares now being offered will rank for the interim dividend in respect of the year ending 31st December, 1986.

Business environment and regulation

Business environment

There are a number of critical factors in the business environment in which Morgan Grenfell operates and in the nature of its business which are relevant to its future prospects.

The performance of stockmarkets has a direct impact on the Group's corporate finance, investment management and securities trading activities. Corporate finance business depends not only on the ability of the Group to maintain its share of the market, but on the general level of activity, particularly in take-overs and mergers, and on the size of the transactions undertaken by clients. Investment management income is related to the value of funds under management and therefore would be adversely affected by a fall in stockmarkets. In securities trading, which involves taking risks as principal, the results are sensitive to the volume of business undertaken and movements in stockmarkets.

The forthcoming changes in the UK securities industry, notably the introduction of dual capacity trading and negotiated commissions, will have a profound impact on the Group. The Group's decision to develop a securities trading and distribution business involves the commitment of substantial permanent capital, increasing operating expenses and the adoption of

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new trading techniques, controls and systems. Whilst it will take time fully to establish the Group's securities activities, the Directors believe that the broking and market making skills contributed to MG Securities by Pender & Boyle and Pender & Denny, together with the experience of personnel from within the Group and those who have recently been recruited, provide a sound foundation for the new securities business. The Directors expect that the securities business will be able to take advantage of the new opportunities available in the deregulated markets whilst operating within limits of risk appropriate for the Group as a whole.

Competition in all areas of the Group's operations is increasing. Morgan Grenfell competes in domestic and international markets with UK and overseas banks and securities houses, many of which have committed substantial resources in London and other major international financial centres. The trend towards more flexible and success-linked fees and commissions and more varied ways of raising capital is likely to continue, as is the trend towards more transaction-oriented relationships. The Directors believe that the large number of clients for whom the Group has transacted business and its record of flexibility and innovation demonstrate its ability to adjust to these trends.

Commercial and investment banking involves certain risks. These include credit and other counterparty risks which the Group controls by establishing and monitoring limits for the business undertaken. There are also risks incurred in underwriting securities.

The results of the Group will continue to depend on the contribution of key personnel at a time when job movement of senior employees in the City has become more common. In recent years very few of Morgan Grenfell's key executives have left the Group and the Directors will pursue employment policies intended to ensure a continuing high degree of stability.

Regulation

The businesses carried on by the Group are subject to increasing regulation, particularly in the UK where the regulatory bodies principally relevant to the Group's businesses are the Bank of England, the Department of Trade and Industry, The Stock Exchange and the Panel on Take-overs and Mergers. In particular, the Group's activities are subject to guidelines set down from time to time by the Bank of England as part of its prudential supervision of banking businesses.

In addition to changes in the applicable regulatory requirements associated with developments in the UK securities industry, the enactment of the present Financial Services Bill will alter the legal framework within which the Group's businesses are carried on in the UK. The form of the rules and regulations which will result from the Bill (when enacted) is not yet available, but on present indications the Directors do not anticipate that those will have a materially adverse effect on the businesses of the Group.

The Group has set up a compliance department, which is responsible for the establishment and maintenance in each of the operating subsidiaries of policies and procedures designed to ensure that their businesses are conducted in accordance with the relevant regulatory requirements and in the best interests of their respective clients and customers. The separation of the operating management of the banking, asset management and securities businesses is intended to ensure that each of those businesses will continue to serve the interests of its own clients, insulated from the influence of any competing or conflicting interests in other parts of the Group.

Reasons for the Offer

The Directors believe that an increase in the capital base of the Group is required to enable Morgan Grenfell to take advantage of opportunities for expanding its activities, including its securities operations. They have concluded that this public offering of new shares in the Company represents the most appropriate method of raising the necessary equity capital. The issue of the 32,000,000 new ordinary shares under the Offer will raise a minimum of £131 million (after expenses) and increase the Group's total net tangible assets on the pro-forma basis set out in the Accountants' Report to some £345 million. The Directors intend also to raise new loan capital for the Group following the Offer in order to increase further its capital base.

The Directors propose to increase the capital resources available to the Group's securities businesses by £100 million out of the proceeds of the Offer so as to bring the total invested to some £140 million before the end of 1987. The balance of the proceeds will be deployed in the Group's other investment and commercial banking businesses.

The Directors consider that there may be opportunities to enhance and diversify the Group's profit base by acquisitions in activities where the Group is represented and in other financial services. The existence of a market in the Company's ordinary shares should provide greater flexibility to take advantage of acquisition opportunities. However, no specific acquisitions are currently being considered.

The Group faces major challenges as a result of the forthcoming changes in the UK securities markets. The Group's enlarged capital base after the Offer as well as its record of responding to market changes and readiness to pursue new opportunities are important factors in the Directors' confidence that Morgan Grenfell will retain its position as a leading merchant banking group.

Information relating to the profit forecast

Basic and principal assumptions

The forecast of profit for the six months ending 30th June, 1986, as set out in "Profit forecast and prospects" above, has been made under the historical cost convention, and is based on unaudited management information for the five months ended 31st May, 1986 and a forecast for June 1986. The principal assumptions upon which the forecast is based are as follows:

- that there will be no significant changes in world economic or in stockmarket conditions, in sterling or dollar interest rates or in the sterling/dollar exchange rate;
- that there will be no change in the ability of the Group's debtors and counterparties to meet their obligations, which is a change of sufficient materiality to require an increase in the level of provisions estimated to be appropriate as at 30th June, 1986.

Letters

The following are copies of letters relating to the profit forecast:

- From Spicer and Pegler and Peat, Marwick, Mitchell & Co.

The Directors,
Morgan Grenfell Group plc
20th June, 1986

Gentlemen,

We have reviewed the accounting policies and calculations for the profit forecast of Morgan Grenfell Group plc ("the Company") and its subsidiaries (together "the Group") for the six months ending 30th June, 1986, as set out in the listing particulars relating to an offer of new ordinary shares in the Company dated 20th June, 1986 ("the Listing Particulars"), for which you as Directors of the Company are solely responsible. The profit forecast is based on unaudited management information for the five months ended 31st May, 1986 and a forecast for June 1986.

In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by you as Directors and set out in the Listing Particulars and is presented on a basis consistent with the accounting policies set out in the Accountants' Report included in the Listing Particulars, which are the accounting policies adopted by the Group.

Yours faithfully,
Spicer and Pegler
Chartered Accountants

(b) From Catemore & Co.
The Directors,
Morgan Grenfell Group plc
20th June, 1986

Gentlemen,

We refer to the profit forecast for the six months ending 30th June, 1986 set out in the listing particulars relating to an offer of new ordinary shares in Morgan Grenfell Group plc ("the Company") dated 20th June, 1986.

We have discussed the forecast and the bases and assumptions on which it is made with Directors of the Company and senior executives of the group and we have considered the letter dated 20th June, 1986 addressed to yourselves from Peat, Marwick, Mitchell & Co. and Spicer and Pegler regarding the accounting policies and calculations for the forecast.

As a result of these discussions and in the light of the letter from Peat, Marwick, Mitchell & Co. and Spicer and Pegler we consider that the profit forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
Catemore & Co.

The Directors,
Morgan Grenfell Group plc
21 Great Winchester Street
London EC2P 2AX

and
Peat, Marwick, Mitchell & Co.
1 Fidelity Dock
Blackburn
London EC4V 3PD

Catemore & Co.
12 Tottenham Yard
London EC2R 7AN

Gentlemen,
20th June, 1986

Introduction

1 We have examined the audited consolidated accounts of Morgan Grenfell Group plc ("the Company") (then Morgan Grenfell Holdings Limited) and its subsidiaries (together "the Group") for the five years ended 31st December, 1985.

2 Spicer and Pegler have been auditors of the Company and all of its UK subsidiaries and of Pender, Denny & Co. throughout the period under review. The accounts of the overseas subsidiaries have been audited by various firms, including Peat, Marwick, Mitchell & Co. and associates of Spicer and Pegler. The accounts of Pender & Boyle have been audited by another firm.

3 The financial information set out below is based on the audited consolidated accounts of the Group, after making such adjustments as we consider appropriate. In particular, adjustments have been made to reverse the transfers to undischarged reserves which were made by the Group in its audited consolidated accounts by virtue of the exemptions applicable to banking companies set out in Schedule 9 to the Companies Act 1985. In the same year as reversing these transfers to undischarged reserves, general loan provisions have been made in accordance with the Group's accounting policies set out below. The consolidated balance sheets shown in section C do not contain undischarged reserves. The financial information set out below is prepared having regard to the exemptions applicable to banking companies set out in the Companies Act 1985 except that transfers to undischarged reserves have not been made.

4 Our work has been carried out in accordance with the Auditing Guidelines: Prospectuses and the reporting accountant.

5 In our opinion, the financial information set out below, which has been prepared on the basis of the accounting policies described below, gives for the purpose of the listing particulars relating to the Company dated 20th June, 1986 a true and fair view of the profits and source and application of funds of the Group for each of the five years ended 31st December, 1981 to 31st December, 1985, and of the state of affairs of the Group at the end of each of those years.

6 No audited accounts for the Group have been made up in respect of any period subsequent to 31st December, 1985.

A. Accounting policies

(a) Convention

The financial information set out below has been prepared in accordance with the historical cost convention, modified to incorporate the revaluation of certain freehold land and buildings at 31st December, 1971 and 31st December, 1984.

(b) Basis of consolidation

The consolidated financial information includes the results of the Company and its subsidiaries. Management accounts have been used where accounting reference periods differ from that of the Company.

(c) Goodwill

Goodwill is written off against reserves at the time of purchase.

(d) Foreign currencies

Assets and liabilities in foreign currencies and the results of overseas subsidiaries are translated into sterling at market rates of exchange ruling at the balance sheet date. Forward foreign exchange contracts are valued at market rates applicable to their respective maturities at the balance sheet date, except in the case of those related to loans and deposits on which the gain or loss is accrued evenly over the life of the transaction.

Exchange differences arising on the translation of net assets of overseas subsidiaries are charged or credited to reserves. Other exchange differences are dealt with through the profit and loss account.

(e) Recognition of fees, commissions, interest and investment income

Fees are brought into account when work is completed and the fee is agreed.

Commission income is recognised when it is unconditionally payable.

Interest income and expense are accounted for on an accrual basis. Interest earned beyond the normal collection period is included from income until received.

Investment income is recognised on the due date. The attributable results of partnerships are included on an accrual basis.

(f) Provisions for bad and doubtful debts

Specific provisions against identified bad and doubtful debts are made on the basis of regular reviews of exposures, including reviews at each year end. General provisions are made in relation to losses which, although not specifically identified, may exist in the Group's banking portfolio.

(g) Balances with banks and money at call

This comprises current accounts with banks and loans to banks, discount houses, money brokers and local authorities, at call or maturing on the first business day of the next financial year.

(h) Certificates of deposit, treasury bills and bills discounted

Certificates of deposit are stated at market value except where it is intended that they should be held to maturity, when they are stated at cost plus accrued income. Treasury bills and bills discounted are included at face value less unearned discount.

(i) Money at short notice

This comprises loans to banks, discount houses, money brokers and local authorities, repayable in less than one month.

(j) Other loans to banks and local authorities

This comprises money market deposits with banks and loans to local authorities having a maturity of one month and over, some of which are due after more than one year.

(k) British Government, trading and other securities

Premiums and discounts on dated securities, bought with the intention of holding to maturity, are amortised on a straight line basis. Trading securities held for dealing purposes are included at market value. All other securities, whether held for the short or long term, are valued individually at the lower of cost and market value or Directors' valuation in the case of unquoted holdings.

(l) Net investment in finance leases

The Group's net investment in finance leases held through its leasing subsidiaries and its interests in leasing partnerships are stated at the total rentals receivable, less finance charges allocated to future periods.

Income is recognised by leasing subsidiaries over the primary period of a lease as follows:

- if an amount is allocated to each accounting period equal to the estimated cost of funding the net cash investment in the lease; and
- if the balance is allocated over the primary period on an annuity basis.

In accordance with normal leasing industry practice, an adjustment is made to increase pre-tax leasing income to reflect the rental concessions effectively made in order to gain to lessen the benefit of the progressive reductions in the rates of corporation tax introduced in the Finance Act 1984. A corresponding adjustment is made to the taxation charge.

(m) Fixed assets

Investments are normally stated at cost. The book value of individual fixed asset investments is reduced only when there has been a significant and, in the opinion of the Directors, permanent diminution in their value.

Freehold property is stated at cost or valuation and, in view of the Group's policy of continuous refurbishment, no depreciation is provided except on the cost of improvements which are written off in equal annual instalments over their estimated useful lives. If provision for depreciation on freehold buildings were made the results of the Group would not be materially affected.

Leasehold property is stated at cost less amortisation at rates designed to write off lease premiums over the periods until the most relevant rent review date. Leasehold improvements are written off over the period of their estimated useful lives or over the unexpired term of the lease if shorter.

Furniture and equipment is depreciated over periods varying between three and seven years so as to write off the cost of each class of asset over its estimated useful life.

(n) Associated companies

An associated company is a company, not being a subsidiary, in which the Group has a significant interest in the equity capital and whose directors include representatives of the Group. The equity method of accounting has not been adopted for associated companies during the period covered by this report as the retained earnings of such companies do not significantly affect the profits or net assets of the Group.

(o) Deferred taxation

Deferred taxation is provided in respect of timing differences which arise principally between the taxation and accounting treatment of assets held for leasing in the Group's UK companies. The tax provided is that which is expected to become payable on these timing differences which are likely to reverse without being repaid.

Prior to the introduction of progressive reductions in capital allowances in the Finance Act 1984 only partial provision for deferred tax was considered necessary in accordance with this policy. Commencing in 1984, provision for the full potential liability on all timing differences has been made at the rates of corporation tax expected to be in force at the time of reversal. Note 10 to the balance sheet sets out the full potential liability for deferred tax at each year end since 31st December, 1984 and the amount provided in the accounts.

No provision is made for UK or foreign taxation that could arise should the retained profits of overseas subsidiary companies be distributed to the UK. Similarly, no provision is made for taxation that could arise on the disposal of the Group's properties at their realised amounts, where sales are not anticipated.

(p) Pensions

The Group operates defined benefit, funded pension schemes covering the majority of its employees. Contributions are charged against profits as made. Actuarial valuations are carried out annually.

(q) Swaps, financial futures and options

Fees and amounts receivable and payable under swap contracts, together with gains and losses on the related hedging transactions are treated over the lives of the relevant contracts based on an assessment of the net terminal value of each contract at each balance sheet date.

Financial futures and options contracts, other than hedging contracts, are valued at market rates ruling at the balance sheet date and the gain or loss on these contracts is brought into the profit and loss account. The gain or loss on hedging contracts is brought into the profit and loss account over the period of the related transactions.

B. Consolidated profit and loss accounts

Notes to the profit and loss accounts

1 Profit before taxation

Profit before taxation as arrived at after charging:

Auditors' remuneration

Depreciation

Year ended 31st December

1981 1982 1983 1984 1985

£'000 £'000 £'000 £'000 £'000

2 Taxation

Taxation based on profits for the year and comprises:

UK corporation tax

Double taxation relief

Deferred taxation

Overseas taxation

Amount by which the taxation charge was reduced as a consequence of not providing for the full potential liability for deferred taxation

3 Extraordinary items

Extraordinary items after tax comprise:

Profit on sale of:

Fixed asset investments

subsidary company (after tax charge of £118,000)

Overseas freehold property

Share issue and formation expenses written off

Provision for reduction in rental income on leased assets (after tax relief of £4,098,000)

Adjustments to deferred tax provisions consequent upon Finance Act 1984

4 Dividends on ordinary shares

Dividends on ordinary shares adjusted for capitalisation issues during the period and the one for one capitalisation issue described in section 5 below were:

Dividends per ordinary share (net)

5 Earnings per ordinary share

Earnings per ordinary share are calculated on the profit attributable to ordinary shareholders before extraordinary items and on the following weighted average number of ordinary shares in issue during each year, after adjustment for capitalisation issues during the period and the one for one capitalisation issue described in section 5 below:

Adjusted weighted average number of ordinary shares

The increase in the adjusted weighted average number of ordinary shares in 1985 compared with the previous year arises mainly as a result of the issue of shares during 1984, some of which were partly paid in 1984 and became fully paid on 17th April, 1985.

Earnings per ordinary share on a fully diluted basis would not be materially different from the figures shown.

C. Consolidated balance sheets

Notes to the consolidated balance sheets

1 Other loans to banks and local authorities

Balances falling due after more than one year amounted to £57,196,000 at 31st December, 1985.

2 Trading securities

Trading securities, at market value or Directors' valuation in the case of unquoted holdings, were as follows:

Debt in a recognised stock exchange

Listed in Great Britain

Listed elsewhere

Guaranteed by overseas governments

Other

Other quoted securities

Unquoted securities

3 Interest receivable, sundry debtors and prepayments

Securities trading balances

Other items

4 Loans, advances and net investment in finance leases

At 31st December, 1985, these fell due as follows:

Loans guaranteed by H.M. Government

Loans and advances

Net investment in finance leases

Within one year

After more than one year

5 Other securities

Other securities, at the lower of cost and market value or Directors' valuation in the case of unquoted holdings, were as follows:

Debt in a recognised stock exchange

Listed in Great Britain

Listed elsewhere

Guaranteed by overseas governments

Other

Other quoted securities

Unquoted securities

At 31st December, 1985, the market value of listed and quoted securities was £46,707,000 and the Directors' valuation of unquoted securities was £1,204,000.

Included in securities listed in Great Britain at 31st December, 1985 is the Group's holding of 30.2 per cent. of the issued equity share capital of GOAL Petroleum p.l.c., subsequently reduced to 6.2 per cent.

MORGAN GRENELL GROUP PLC

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6. Fixed assets

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Investments dealt in on a recognised stock exchange:					
Listed in Great Britain	10	10	1	7	7
Listed elsewhere	34	40	52	40	44
Unquoted investments	2,250	2,436	343	19,560	20,473
Furniture and other equipment	2,294	2,476	402	19,607	20,544
Goodwill and intangible properties	3,998	4,229	3,530	7,229	10,729
	10,180	10,459	10,841	31,661	33,183
	18,012	17,164	16,774	48,487	54,666

At 31st December, 1985, the market value of listed fixed asset investments was £431,000. At 31st December, 1985, the Directors considered that the value of unquoted fixed asset investments was not less than book value.

At 31st December, 1985, unquoted investments included:

(a) Investments in the following companies which are defined as associated companies for the purposes of the relevant Statement of Standard Accounting Practice:

	Country of incorporation	Percentage of issued ordinary shares held
Credit for Export PLC	Great Britain	50
MGC (Resources) N.V.	Netherlands Antilles	50
MIT Managers Limited	Great Britain	33 1/3
GWIP Limited	Great Britain	33 1/3
Oil Research and Management Services Inc.	United States of America	50
Proper Loan Monitoring Limited	Great Britain	25
Henderson Ltd & Bode Limited	Australia	50

For the reason stated in the accounting policies, the equity method of accounting has not been adopted for these companies. The Group also owns all of the 10 per cent. Convertible Participating Preference Shares of Credit for Export PLC.

(b) The Group's holding of 19.9 per cent. of the issued equity capital of Target Group PLC at a cost of £104 million.

(c) The Group's 5 per cent. limited partnership interest in Pender & Boyle. The Group has subsequently acquired the business of Pender & Boyle as set out in section 8 below.

(d) The Group's 29.9 per cent. limited partnership interest in Pender, Denny & Co. The Group has subsequently acquired the business of Pender, Denny & Co. as set out in section 8 below.

The value of freehold and leasehold properties at 31st December, 1985 was made up as follows:

	Freehold	Leasehold	Short leasehold	Total
	£'000	£'000	£'000	£'000
At Directors' valuation (31st December, 1984)	16,726	—	—	16,726
At cost	422	199	12,331	12,952
Less accumulated depreciation	—	(199)	(6,296)	(6,495)
	17,148	—	6,035	23,183

7. Share capital

At 31st December, 1985, the authorised, issued and fully paid share capital was as follows:

	Authorised	Issued and fully paid
	£'000	£'000
4 per cent. (now taking effect as 2.8 per cent. plus an associated tax credit) Cumulative Redeemable Preference Shares of £1 each	750	750
6 per cent. (now taking effect as 4.2 per cent. plus an associated tax credit) Cumulative Redeemable Preference Shares of £1 each	250	250
11 1/4 per cent. (including the associated tax credit) Cumulative Preference Shares of £1 each	12,000	12,000
3 per cent. (including the associated tax credit) Convertible Redeemable Preference Shares of £1 each	7,000	—
Ordinary Shares of £1 each	75,000	57,560
Unissued Shares of £1 each	—	17,440
	100,000	75,560

The 4 per cent. Preference Shares are redeemable at par at the option of the Company at any time on or before 1st January, 2000, the 6 per cent. and 11 1/4 per cent. Preference Shares are not subject to any right of redemption. The rights attaching to the 5 per cent. Preference Shares are referred to in section 8 below.

At 31st December, 1985, options outstanding under the Company's 1974 Share Option Scheme would on exercise have resulted in the issue of 1,360,740 ordinary shares. These options were exercisable at varying dates up to 24th February, 1999 as follows between 1989 and 1994 per share. Also at 31st December, 1985, options outstanding under the Company's 1984 Share Option Scheme would on exercise have resulted in the issue of 1,284,600 ordinary shares. These options were exercisable at varying dates between 31st January, 1990 and 30th May, 1995 at prices of 44p and 45p per share.

8. Reserves

(a) Movements in Group reserves for the five years to 31st December, 1985 were as follows:

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
At 1st January	33,284	43,387	58,540	65,581	116,010
Retained profit for the year	9,440	15,750	16,578	6,875	31,039
Goodwill written off	—	—	(148)	(164)	(12,798)
Provision on issue of shares	6,283	—	—	31,244	15,815
Expenses on issue of shares	(154)	—	(2)	(455)	(212)
Capitalisation reserve of ordinary shares	—	—	(10,550)	—	—
Exchange translation differences arising on consolidation	1,810	1,452	1,245	3,183	(4,148)
Capitalisation reserve of 11 1/4 per cent. Preference Shares	(7,294)	—	—	—	—
Surplus on revaluation of freehold property	—	—	—	10,148	—
Other sundry income	18	149	9	1	(4)
At 31st December	43,387	58,540	65,581	116,010	158,008

(b) The reserves of the Company at 31st December, 1985 were as follows:

	£'000
Non-distributable:	
Share premium account	46,401
Revaluation reserve	66,610
Distributable:	
Profit and loss account	9,549
	122,760

£93.3 million of the Company's non-distributable reserves has conditionally been applied in the one for one capitalisation issue of ordinary shares described in section 8 below.

9. Loan capital

(a) Loan capital of the Group was as follows:

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Unsecured loans from banks:					
Swedish loan (repaid 1984)	5,000	5,000	5,000	—	—
US dollar loan (repaid 1984)	5,235	6,192	6,897	—	—
US dollar loan repayable 1991	5,300	5,500	6,996	8,639	6,920
US dollar loan repayable 1991	5,236	6,192	6,897	8,640	6,921
	20,771	22,882	25,890	13,779	13,841

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Other unsecured loans:					
Swedish loan 1.533% repayable 1984-95	7,444	7,444	7,444	7,444	7,444
Dutch guilder loan 8.94% repayable 1978-87	3,812	3,812	2,700	2,187	1,505
Swiss franc loan 6% (repaid 1983)	1,455	1,455	—	—	—
US dollar loan 9 3/4% (repaid 1981-82)	1,571	—	—	—	—
US Dollar Floating Rate Notes Due 1994	—	—	—	43,197	34,402
	14,282	12,704	10,144	52,828	43,551

Total loan capital

The unsecured loans from banks outstanding at 31st December, 1985 bear interest at variable rates related to London inter-bank offered rates.

The total loan capital outstanding at 31st December, 1985 raised by the Company and a subsidiary has been advanced to Morgan Grenfell & Co. Limited on a subordinated basis.

(b) The schedule according to which loan capital outstanding at 31st December, 1985 fell due for repayment was:

	£'000
Within one year	752
Between one and two years	753
Between two and five years	—
In five years or more	55,887
	57,392

10. Deferred taxation

The full potential liability for deferred taxation (arising principally in respect of capital allowances in excess of depreciation on assets held for leasing) and the amount provided in the accounts was as follows:

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Full potential liability	36,031	42,527	55,499	48,168	49,373
Amount provided in the accounts	26,061	22,605	26,853	20,169	49,373

The full potential liability has been computed at a rate of corporation tax of 52 per cent. up to and including 31st December, 1983 and since then at the rate of corporation tax expected to be in force at the time of payment.

At 31st December, 1985, taxation (which is not included in the above figures that could have arisen on the disposal of the Group's properties at their revealed amounts was approximately £4.2 million. At 31st December, 1985, taxation (which is not included in the above figures that could have arisen on the disposal of the Group's properties at their revealed amounts was approximately £4.2 million. At 31st December, 1985, taxation (which is not included in the above figures that could have arisen on the disposal of the Group's properties at their revealed amounts was approximately £4.2 million.

11. Interest payable, sundry creditors and accruals

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Interest payable	2,029	24,742	40,658	115,461	88,551
Sundry creditors	68,899	82,297	91,194	120,545	113,257
Other items	67,727	107,039	131,852	256,006	201,808

12. Contingent liabilities and commitments

Contingent liabilities and commitments incurred in the ordinary course of business at 31st December, 1985 were as follows:

Guarantees and performance bonds

Partly paid investments

A substantial proportion of guarantees and performance bonds was fully matched by counter indemnities given by third parties.

At 31st December, 1985, there were also commitments in respect of forward contracts in foreign currencies, underwriting, conditional credits and set-up contracts which had been incurred in the ordinary course of business.

Capital expenditure for which no provision has been made in the consolidated accounts but which had been incurred for at 31st December, 1985 amounted to £364,000. Capital expenditure authorised but not contracted for at that date amounted to £10.6 million of which £4 million was for development of computer based systems.

At 31st December, 1985, Group companies were parties to agreements concerning the acquisition of Pender, Denny & Co. and the business of Pender & Boyle as an aggregate consideration of £11 million, subsequently increased to £31.55 million, which would be satisfied by the issue of ordinary shares and securities convertible into ordinary shares in the Company.

At 31st December, 1985, the share capital of Morgan Grenfell Leisure Holdings Limited was owned as to 31 per cent. by the Group and 69 per cent. by the former shareholders of Pender, Denny & Co. Limited, whose shares in Morgan Grenfell Leisure Holdings Limited were the subject of put options between them and the Company exercisable between 1986 and 1995. The consideration due on exercise of such options may be satisfied in cash or in the Company's discretion by the issue of ordinary shares in the Company at their then market value. The exercise price has to be agreed between the former shareholders and the Company or, in default of agreement, is determined by an expert, upon certain defined principles.

D. Consolidated statements of source and application of funds

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Source of funds:					
Profit before taxation	20,241	26,586	33,792	46,295	68,945
Extraordinary items before taxation	—	—	999	(14,321)	(1,219)
Exchange differences	4,798	4,031	2,499	6,173	(14,588)
Items not involving movement of funds:					
Depreciation	2,638	1,096	2,494	3,150	4,217
(Profit)/Loss on disposal of fixed assets	(134)	26	(1,133)	(422)	(17)
Funds generated by operations	27,533	32,647	38,771	42,774	57,938

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Expenditure from other sources:					
Net proceeds of share issues	12,431	127	230	40,638	30,999
Dated loan capital raised	12,944	—	6,396	43,197	—
Disposals of fixed assets and fixed asset investments	708	138	3,573	915	350
Other	18	—	9	—	—
	51,644	32,912	49,269	127,522	79,389

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Application of funds:					
Additions to fixed assets and fixed asset investments	3,339	3,194	4,430	24,732	11,652
Dividends paid	1,501	4,041	5,792	4,355	6,232
Taxation paid	2,920	1,878	4,525	17,128	8,748
Purchase of goodwill	—	—	548	564	2,498
Dated loan capital redeemed	2,306	3,860	7,737	14,369	751
Other	—	49	—	4	—
	9,966	15,522	21,052	61,152	29,882
	41,678	17,390	28,217	66,370	49,407

	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Represented by:					
Advances and other accounts	416,333	293,497	329,640	435,522	(78,923)
Liquid and other banking assets	(104,685)	172,248	232,708	293,192	129,017
Current, deposit and other accounts	(263,960)	(493,858)	(524,131)	(482,344)	(30,687)
	41,678	17,390	28,217	66,370	49,407

E. Subsequent events

(a) Guinness PLC

As a result of purchases of shares in The Guinness Company plc in January and February 1986 which were subsequently accounted to the full effect for the share capital of that company made on behalf of Guinness PLC ("Guinness"), the Group beneficially owns 48,583,512 ordinary shares of 25p each in Guinness ("Guinness stock units"). The Board of Guinness has proposed that Guinness should purchase these stock units for cash at a price reflecting their effective cost to the Group, taking account of the Group's funding costs. The necessary resolutions to approve the proposed purchase contract were passed at the relevant meetings of holders of Guinness shares and loan capital on 17th June, 1986. The proposed purchase contract provides for completion to take place on 9th July, 1986 or such other date not being later than 28th May, 1987 as may be agreed. On the basis that the proposed purchase is completed on 9th July, 1986, it is estimated that the total purchase price will be in the region of £136 million, which compares with a current market value of the Guinness stock units to be purchased of approximately £148 million based on the middle market quotation of a Guinness stock unit on 17th June, 1986 as derived from The Stock Exchange Daily Official List. The Directors of the Company have confirmed that if the proposed purchase contract is not implemented, they would adopt an appropriate alternative means of dealing with this holding of Guinness stock units, after consultation with Guinness. In addition to this holding, the Group beneficially owns a further 7,023,000 Guinness stock units.

(b) Pender & Boyle

On 13th April, 1986, the business, assets and liabilities (excluding certain amounts owed to or by the partnership as agents and the partners' income tax liabilities) of Pender & Boyle were acquired by the Company and the limited membership was dissolved. The total consideration paid for the Company was £10.15 million which was satisfied by the issue of 413,925 ordinary shares, credited as fully paid up at 75p, and £2,343,428 5 per cent. Convertible Redeemable Preference Shares of £1 each, credited as fully paid up at par ("5 per cent. Preference Shares"). Immediately prior to this issue, 243,478 Unissued Shares were classified as 5 per cent. Preference Shares.

The 5 per cent. Preference Shares convert into ordinary shares (except in specified circumstances relating to the continuing employment within the Group of the allottees thereof) on the fifth anniversary of their allotment or, if such conversion is then suspended by the holder of such shares, on the earliest of the next following four anniversaries on which conversion is not so suspended, at the rate of 42 normal amounts of ordinary shares for each £750 nominal amount of 5 per cent. Preference Shares. This conversion rate is stated after adjustment for the capitalisation issue referred to in paragraph (f) below. In respect of those 5 per cent. Preference Shares still outstanding immediately following the tenth anniversary of their allotment, the final cumulative preferential dividend of 5 per cent. will be increased or decreased so that the market value of the 5 per cent. Preference Shares is equal to their nominal value at that time.

The net tangible assets of Pender & Boyle acquired were nil.

The summarised audited results of Pender & Boyle for the last five financial periods were as follows:

	10th April	10th April	10th April	10th April	11th April
	1982	1983	1984	1985	1986
	£'000	£'000	£'000	£'000	£'000
Profit before taxation attributable to the partners	1,198	1,892	1,667	1,430	1,901

Profit before taxation is stated before charging remuneration of the partners and without adjustment for the effect of withdrawal of partners' funds prior to completion of the acquisition.

A summary of the assets and liabilities of Pender & Boyle at 11th April, 1986 is as follows:

	£'000
Assets:	
Money receivable from clients and the market in the ordinary course of Stock Exchange business	87,453
Bank balances and cash	33
Other assets	90,951
Liabilities:	
Money payable to clients and the market in the ordinary course of Stock Exchange business	87,839
Other liabilities	757

Partners' funds including taxation reserves withdrawn prior to completion

3,325

(c) Pender, Denny & Co.

On 11th April, 1986, Morgan Grenfell Securities Holdings Limited acted as limited partner in the partnership Pender, Denny & Co. On 12th April, 1986, the business, assets and liabilities (excluding the partners' income tax liabilities) of the partnership were transferred to an unlimited company, Pender, Denny & Co. (then called Pender, Denny Securities), in exchange for shares in the latter and £181,164 cash. On 13th April, 1986, all the shares in Pender, Denny & Co. were transferred to the Company.

The total consideration payable by the Group was £21 million which was satisfied by the issue of 269,055 ordinary shares, credited as fully paid up at 75p, £14,419,169 nominal of 5 per cent. Convertible Redeemable Loan Stock 1996 ("5 per cent. Loan Stock") at par and a cash payment of £181,164 made by Pender, Denny & Co. The 5 per cent. Loan Stock is convertible (except in specified circumstances relating to the continuing employment within the Group of the allottees thereof) on 10th June, 1991 and every subsequent 30th June until 30th June 1995 into ordinary shares at the rate of £26.66 nominal amount of ordinary shares for every £100 nominal of 5 per cent. Loan Stock. This conversion rate is stated after adjustment for the capitalisation issue referred to in paragraph (f) below.

The net tangible assets of Pender, Denny & Co. acquired were nil.

The summarised audited results of Pender, Denny & Co. for the last five financial periods were as follows:

	Period ended				
	29th	6th	27th	26th	11th
	April	May	April	April	April
	1982	1983	1984	1985	1986
Profit before taxation attributable to the partners	1,000	1,050	1,000	1,000	1,000
	<u>3,984</u>	<u>4,346</u>	<u>4,189</u>	<u>306</u>	<u>599</u>

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- (a) Subject to the rights of the other classes of Preference Shares referred to in paragraphs 2(a) (i), (ii) and (iii) above, the 5 per cent. Preference Shares confer the right to receive out of the profits resolved to be distributed a fixed cumulative preferential dividend of 5 per cent. per annum (including the associated tax credits) on the amount paid up thereon, payable on 1st July and 1st January in each year. If any 5 per cent. Preference Shares remain outstanding on 1st July 1986, the dividend is then to be increased or decreased by such amount as would result in their market value being equal to their nominal value. On a return of assets, the 5 per cent. Preference Shares are entitled to receive the amount of capital paid up thereon plus all arrears and amounts of dividend. The rank in priority to the shares of any other class (except the 4 per cent. Preference Shares, the 6 per cent. Preference Shares and the 11½ per cent. Preference Shares) but confer no further right to participate in profits or assets.
- (b) Subject to the Act and the rights of the holders of the Preference Shares, the Company may by ordinary resolution declare dividends but not in excess of the amount recommended by the Board. Where the rights or terms of issue of any shares otherwise provide, dividends shall be apportioned according to the amounts paid up on the shares during the period in respect of which they are paid. The Board may pay such interim dividends as they consider justified by the financial position of the Company. Any dividend undistributed after a period of twelve years from the date of declaration will be forfeited.
- (c) Subject to the Act and the rights of the holders of the Preference Shares, any surplus assets on a winding-up are to be divided between the holders of the ordinary shares according to the numbers of ordinary shares they hold. A liquidator may, with the sanction of a special resolution, divide among the members to hold all or part of the assets of the Company as he deems fit.

(b) Votes of members

Subject to disqualification for non-payment of calls or other sums due on shares, or for non-compliance with a statutory notice requiring disclosure as to beneficial ownership, and subject to any applicable special voting terms, on a show of hands every member present in person at a general meeting has one vote, and on a poll every member present in person or by proxy has one vote for every £1 nominal amount of share capital held by him.

Notwithstanding the above:

- (i) the holders of the 4 per cent. Preference Shares and the 6 per cent. Preference Shares are not entitled to notice of or to attend or vote at any general meeting unless convened for the purpose of passing a resolution altering the Articles of Association in any manner directly affecting their respective rights and privileges, or unless their dividends are in arrears for more than twelve months and remains unpaid, these dividends being deemed due on 30th June and 31st December respectively;
- (ii) the holders of the 11½ per cent. Preference Shares and the 5 per cent. Preference Shares are entitled to notice of general meetings, but are entitled to attend only if the business includes a resolution on which they are entitled to vote, being a resolution directly affecting their respective rights and privileges, or if, at the date of the notice convening the meeting, their dividends are in arrears and remain unpaid on the date of the meeting.

(c) Transferability of shares

Remouvable letters of allotment which will be negotiable until 100 p.m. on 29th August, 1986 will be issued to existing ordinary shareholders (other than the shareholders referred to in paragraph 8(a) of "Further information" below) in respect of ordinary shares allotted pursuant to the Capitalisation Issue. Subject to the provisions of the Capitalisation Issue, the ordinary shares and the Preference Shares are in registered form. Any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be executed by or on behalf of the transferor and in the case of a partly-paid share the transferee, and the transferee is deemed to remain the holder until the transferor's name is entered in the register. All the new ordinary shares now being offered are subject to payment in full on application.

The Board may decline to register any transfer other than of 11½ per cent. Preference Shares or 5 per cent. Preference Shares of any share which is not fully-paid. There is no restriction on the registration of a transfer of fully-paid ordinary shares stamped transfer in full lodged with the Company accompanied by the 6 per cent. Preference Shares and any other evidence the Board may reasonably require; (b) in respect of only one class of share; and (iii) in favour of no more than four joint transferees.

(d) Variation of rights

Subject to the Act, the special rights and privileges attached to any class of share may be altered or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of each holder, the quorum being two persons at least holding, or representing by proxy, in the case of the 4 per cent. Preference Shares and the 6 per cent. Preference Shares, 75 per cent. and, in the case of the 11½ per cent. Preference Shares and the 5 per cent. Preference Shares, one-third, of the issued shares of the class, and, in the case of the ordinary shares, not less than one-third in nominal value of the issued shares of the class. For this purpose:

- (i) the special rights attached to the 4 per cent. Preference Shares will be deemed to be altered or abrogated by the creation or issue of further shares ranking pari passu therewith, but (save as mentioned below in relation to the 11½ per cent. Preference Shares) the special rights attached to any other class of shares issued with preferred or other special rights will not, unless otherwise expressly provided by the terms of issue, be deemed to be altered or abrogated by the creation or issue of further shares ranking pari passu therewith, so long as the aggregate amount paid up on the 4 per cent. Preference Shares, the 6 per cent. Preference Shares and all shares ranking pari passu with the 6 per cent. Preference Shares does not at any time exceed the aggregate amount paid up on all shares ranking after the 6 per cent. Preference Shares;

- (ii) the Company may create and issue further preference shares ranking pari passu with (but not in priority to) the 11½ per cent. Preference Shares but only if the Auditors certify that immediately following that issue the aggregate amount paid up on the 4 per cent. Preference Shares, the 6 per cent. Preference Shares and all shares ranking pari passu with the 11½ per cent. Preference Shares will not exceed 25 per cent. of the aggregate of the paid up share capital and reserves as shown by the then latest audited consolidated balance sheet (adjusted to reflect any subsequent issue of shares);

- (iii) except as mentioned above, the creation or issue of further shares ranking in priority to, or pari passu with, the 11½ per cent. Preference Shares will be deemed to be an alteration or abrogation of the special rights attached to those shares. These special rights and privileges will also be deemed to be altered or abrogated by (1) any alteration or abrogation of the rights and privileges of the 4 per cent. Preference Shares, the 6 per cent. Preference Shares or the 11½ per cent. Preference Shares then then redemption, repayment or purchase; (2) the passing of a resolution for reducing the share capital, capital redemption reserve or share premium account otherwise than by the application of any amount for any purpose permitted by section 130(2) of the Act; or (3) the passing of a resolution for winding-up the Company; and

- (iv) while any 5 per cent. Preference Shares are capable of conversion, the special rights attaching to those shares will be deemed to be altered or abrogated by (1) the issue of further shares ranking in priority to the 5 per cent. Preference Shares, or the creation or issue of shares ranking pari passu with any of the other classes of Preference Shares will not be an alteration or abrogation of the rights attached to those shares, or (2) a capitalisation issue which results in the nominal value of the ordinary shares issued being 5 per cent. Preference Shares may be converted exceeding the nominal value of the shares converted.

Except as mentioned above, the rights attached to any shares shall not be deemed to be varied by the creation or issue of further shares ranking pari passu with them unless the terms of those shares expressly state otherwise.

(e) Conversion of the 5 per cent. Preference Shares

- (1) Except as described in paragraph 2(e)(ii) below, on 1st April in each of the years 1991 to 1995 (being "Conversion Dates") all the 5 per cent. Preference Shares then outstanding will convert into fully-paid ordinary shares (in the ratio, following the Capitalisation Issue, of £1 nominal amount of ordinary shares for each £1.30 nominal amount of 5 per cent. Preference Shares) and fully-paid Special Shares ("Special Shares" see paragraph 2(e)(ii) below) by the consolidation of all the 5 per cent. Preference Shares in any holding into one share and the division of that share into (a) the requisite number of ordinary shares each of the same nominal amount as each ordinary share in issue at the Conversion Date and (b) into one Special Share of nominal amount equal to the excess of that of the consolidated share or of the ordinary share capital derived therefrom.

- (2) If any original allottee of any 5 per cent. Preference Shares in the employment of the Group (as defined in the Act) or of 60 or over (80) return, due to ill-health, (c) dies or (d) is made redundant or is unfairly dismissed, all the 5 per cent. Preference Shares allotted to and then beneficially held by him (or his personal representatives) will, except as described in paragraph 2(e)(ii) below, convert two months after the relevant event.

- (3) If while any of the 5 per cent. Preference Shares is outstanding, an offer is made for the ordinary shares and the Company becomes aware that the offer has obtained control of more than 50 per cent. thereof, the Company must give written notice to all the holders of the 5 per cent. Preference Shares and all those shares will, except as described in paragraph 2(e)(ii) below, convert two months after the date of that notice.

- (4) 5 per cent. Preference Shares will not convert if, (1) between 78 and 14 days prior to the relevant Conversion Date, the Company receives a statement from the holder; or (2) prior to 15th April, 1991 the original allottee either (a) ceases to be continuously employed by the Group or any former subsidiary otherwise than as mentioned in paragraph 2(e)(2) above or by resigning with his employer's consent; or (b) transfers the beneficial interest in any of his 5 per cent. Preference Shares (except by transmission on death) to 3 per cent. Preference Shares that prohibited from converting are called "Excluded Shares".

- (5) The Company must use all reasonable endeavours to obtain a listing on The Stock Exchange for all ordinary shares resulting from conversion.

- (6) Special Shares are not transferable and do not entitle the holder to the payment of any dividend or to any repayment of capital on a return of assets (except for the sum of 1p) or to receive notice of or attend or vote at any general meeting. They may, subject to the Act, be cancelled by reduction of capital, without payment to or sanction of the holder, and the Company may at any time after the earliest Conversion Date redeem all or any of them for not more than 1p for all the Special Shares redeemed at any one time.

- (7) If the Conversion Date falls on or before 30th June in any financial year, ordinary shares derived from the conversion will carry the same dividend rights as ordinary shares then in issue in respect of that (but not the next) financial year, and the fixed preferential dividend on the converted shares will come to an end as from the immediately preceding 1st January. If the Conversion Date falls after 30th June in any financial year, ordinary shares derived from the conversion will carry the same dividend rights as ordinary shares then in issue in respect of that financial year except for the first interim dividend paid after conversion, and the fixed preferential dividend on the converted shares will come to an end as from the immediately preceding 1st July. In each case they will, in all other respects, rank pari passu with the fully-paid ordinary shares.

(f) Other rights of the 5 per cent. Preference Shares

- (i) If there is a capitalisation issue to the holders of the ordinary shares, the nominal amount of ordinary shares into which 5 per cent. Preference Shares convert will be increased and the nominal amount of Special Shares correspondingly decreased, by such amount as the Board thinks appropriate and as the Auditors confirm to be fair and reasonable.

- (ii) If immediately following a Conversion Date less than 25 per cent. (on nominal value) of the 5 per cent. Preference Shares originally in issue remains outstanding, the Company will be entitled within one month to convert all outstanding 5 per cent. Preference Shares other than Excluded Shares.

- (iii) If there is a rights issue or other offer (except in connection with a take-over offer) to the holders of the ordinary share capital, the Company must make or, so far as it is able, procure to be made an equivalent issue or offer at the same time to each holder of 5 per cent. Preference Shares as if such shares had all converted prior to the relevant record date.

- (iv) If the Company is placed in liquidation, holders of 5 per cent. Preference Shares (other than Excluded Shares) may elect to be treated as if their 5 per cent. Preference Shares had been converted immediately before that event.

- (v) Until 1st April, 1996, and while any of the 5 per cent. Preference Shares remains outstanding and capable of conversion, no resolution may be passed varying the rights attached to the ordinary shares, reducing share capital or sanctioning the purchase by the Company of its own shares, except with the consent of the holders of the 5 per cent. Preference Shares given at a separate class meeting.

(g) Redemption of the 4 per cent. Preference Shares and the 5 per cent. Preference Shares

- (i) The Company may at any time on or before 1st January, 2000, on six months' notice, redeem out of profits available for distribution or out of the proceeds of a further issue of shares (for the purpose) all or part of the 4 per cent. Preference Shares at par together with arrears and amounts of dividend. In a partial redemption, the shares to be redeemed will be selected by a drawing.

- (ii) Subject to the content of the holders of all other classes of Preference Shares, the Company may at any time after 1st April, 1996, on six months' notice, redeem out of profits available for distribution or out of the proceeds of a further issue of shares (for the purpose) all or part of the 5 per cent. Preference Shares at par together with arrears and amounts of dividend. In a partial redemption, the shares to be redeemed will be selected by a drawing.

(h) Alteration of capital

Subject to the provisions of the Act, the Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide its shares into shares of a smaller amount and cancel any shares which have not been taken or agreed to be taken and correspondingly reduce its share capital; and by special resolution, reduce in any way its share capital, any capital redemption reserve and any share premium account.

(i) Untraced shareholders

Subject to various notice requirements, the Company may sell any ordinary shares of a member if, during a period of twelve years, at least three dividends on those shares have become payable and the cheques or warrants have remained uncashed and the Company has received no indication of the existence of such member during that period.

(j) Directors

(i) Retirement by rotation

At every annual general meeting, as near as possible to one-third of the Directors retire by rotation and are eligible for re-election. The Directors to retire are those who have been longest in office, or, in the case of those who were elected or re-elected on the same day, are (unless they otherwise agree) determined by lot. Any Director appointed by the Board will hold office only until the next annual general meeting, when he will be eligible for re-election but will not be taken into account in determining the number of Directors to retire by rotation at that meeting.

(ii) Restrictions on voting

The Directors may exercise, as near as possible to one-third of the Directors retire by rotation and are eligible for re-election. The Directors to retire are those who have been longest in office, or, in the case of those who were elected or re-elected on the same day, are (unless they otherwise agree) determined by lot. Any Director appointed by the Board will hold office only until the next annual general meeting, when he will be eligible for re-election but will not be taken into account in determining the number of Directors to retire by rotation at that meeting.

These prohibitions do not apply to a Director in relation to (1) the giving to him of any guarantee, indemnity or security in respect of money lent, or obligations undertaken, by him for the benefit of any member of the Group; (2) the giving of any guarantee, indemnity or security to a third party in respect of a debt or obligation of the Company which he has himself guaranteed or secured; (3) the subscription or underwriting of any shares, debentures or other securities of the Company by him; (4) any contract or arrangement to which he is interested directly or indirectly in his capacity as a Director, or as an employee or officer of the Group and does not provide in respect of any Director as such any privilege or advantage not accorded to any other employee or officer of the Group under which he benefits in a similar manner to employees and which does not accord to any Director as such any privilege or advantage not accorded to the relevant employees.

(iii) Remuneration

The Directors may be paid fees as determined by the Board up to an aggregate (including remuneration paid to executive Directors) of £120,000 per annum, or such higher amount as may be determined by ordinary resolution. The Company may repay to any Director all such expenses as he may properly and reasonably incur in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who by request performs special services, or goes or resides abroad for any purpose of the Company, may be paid such remuneration as the Board may determine. An executive Director is entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

(iv) Pensions

The Board may procure the payment of pensions and other benefits to, among others, any Director or former Director or persons connected with them subject, inter alia, to the case of payments to a Director or former Director who has not been an employee or other officer of the Group, to approval by ordinary resolution.

(v) Age limit

No Director is required to retire from office and no person is precluded from becoming a Director by reason of having attained the age of 70 years or any other age, nor is special notice required in connection with the appointment or re-appointment of any such person.

(vi) Borrowing powers

The Directors may exercise, without limit, all powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Further information

1. The Company and its share capital

(a) The Company was incorporated in England on 24th November, 1971 under the Companies Act 1948 to 1967 as a company limited by shares with the name Morgan Grenfell Holdings Limited. With effect from 1st September, 1981 the Company changed its name to Morgan Grenfell plc. The Company is a public company and operates under the Act with the same Morgan Grenfell Group public limited company. The Company is registered in England and Wales with registered number 032342 and its registered office and principal place of business are located at 23 Great Winchester Street, London EC2P 2AX.

(b) The 11½ per cent. Preference Shares were created by a special resolution passed on 12th June, 1981, pursuant to which (i) the authorised share capital of the Company was increased from £450,000 to £520,000 by the creation of 7,000,000 11½ per cent. Preference Shares; (ii) 294,118 Unlisted Shares of £1 each were converted into 11½ per cent. Preference Shares; and (iii) the sum of £7,294,118 was capitalised and applied in paying up in full the 7,294,118 11½ per cent. Preference Shares which were issued pursuant to a resolution of a Committee of the Board of Directors passed on 30th June, 1981, and (iv) 4,703,882 of the ordinary shares then in issue were converted into 11½ per cent. Preference Shares.

(c) On 31st December, 1982, the authorised share capital of the Company was £520,000 divided into 7,000,000 4 per cent. Preference Shares, 250,000 6 per cent. Preference Shares, 12,000,000 11½ per cent. Preference Shares, all of which preference shares had been issued and were fully paid up, and 39,000,000 ordinary shares, of which 31,594,375 had been issued and were fully paid up. Since 31st December, 1982, there have been the following changes in the authorised share capital of the Company:

- (i) on 11th May, 1983, the authorised share capital was increased from £520,000 to £650,000 by the creation of 13,000,000 additional ordinary shares;

(ii) on 14th June, 1984, the authorised share capital was increased from £650,000 to £770,000 by the creation of 12,000,000 additional ordinary shares and on 12th December, 1984 from £770,000 to £880,000 by the creation of a further 10,000,000 ordinary shares;

(iii) on 19th May, 1985, the authorised share capital was increased from £880,000 to £1,000,000 by the creation of 7,000,000 5 per cent. Preference Shares and 5,000,000 Unlisted Shares of £1 each, which could be classified only as ordinary shares or 5 per cent. Preference Shares;

(iv) on 13th April, 1986, 243,478 Unlisted Shares of £1 each were classified as 5 per cent. Preference Shares and on 14th June, 1986 the conversion of 517,391 5 per cent. Preference Shares referred to in paragraph 2(e)(i) below resulted in a decrease in the number of 5 per cent. Preference Shares in the authorised share capital from 7,243,478 to 6,726,087 and an increase in the number of ordinary shares in the authorised share capital from 39,000,000 to 75,046,985 and gave rise to a balancing share capital of £1,448,605 nominal amount; and

(v) on 17th June, 1986, pursuant to the special resolution referred to in paragraph 1(a) below and conditional upon the admission of the ordinary shares to the unlisted share capital of £1 each were classified as ordinary shares and the authorised share capital was increased from £1,000,000 to £2,300,000 by the creation of 13,000,000 additional ordinary shares.

(d) Since 31st December, 1982, there have been the following changes to the issued share capital of the Company:

- (i) a total of 1,214,789 ordinary shares have been issued on the exercise of options as follows:

Number of shares	Price per share	Year	Number of shares	Price per share	Year
	p			p	
The 1974 Scheme					
132,561	100	1981	2,400	100	1983
40,000	111.25	1983	20,000	100	1985
247,077	100	1984	2,000	100	1985
48,000	108.75	1984	73,997	100	1986
13,333	111.25	1984	87,647	112.5	1986
40,000	100	1984	87,998	111.25	1986
141,139	100	1986	77,139	140.625	1986
8,000	108.75	1985	23,731	180	1986
85,392	112.5	1985	10,000	260	1986
53,312	111.25	1985			

The 1984 Scheme

10,000 445 1986

*Note: The exercise prices for options granted under the 1974 Scheme were adjusted for capitalisation issues made in May 1977, December 1980 and May 1983. In the case of options the effective exercise price of which was, following such adjustment, reduced to less than the par value of the shares concerned, the employing company of the holder was, on the exercise of such options, obliged under the terms of a trust established in 1980 to remit to the trustees of that trust, for payment to the holder, the difference between such effective exercise price and the par value of those shares. Accordingly, the prices stated above are the aggregate amount per share received by the Company.

(ii) on 11th May, 1983, 10,550,357 ordinary shares were issued to the ordinary shareholders of the Company on the basis of one new ordinary share for every three existing such shares, credited as fully paid up at par, by way of capitalisation of reserves;

(iii) on 12th July, 1984, 11,250,000 ordinary shares were issued (9,631,564 by way of rights to ordinary shareholders who took up such rights on the basis of one new ordinary share for every four existing such shares and 1,618,436 to ordinary shareholders who wished to take up more than their basic entitlement) at 400p per share, 2,085,551 of the premium thereon were issued fully-paid and 9,164,649 were issued paid up to 50p of the nominal value and 150p of the premium thereon with the balance of 200p per share due on 17th April, 1985. All such shares are now fully paid up;

(iv) on 31st December, 1984, 2,311,142 ordinary shares were issued for cash at 494.5p per share to Deutsche Bank AG;

(v) on 18th September, 1985, 500,000 ordinary shares were issued, credited as fully paid up at 500p per share, in accordance with the arrangements for the acquisition of Morgan Grenfell Limited (then called Morgan Grenfell & Partners Limited) by Morgan Grenfell Finance Holdings Limited (then called Morgan Grenfell Property Services Limited). Further details of these arrangements (which involved the issue of shares by the Company's subsidiary Morgan Grenfell Finance Holdings Limited) are set out in paragraph 9(c) below;

(vi) on 13th April, 1986, 413,975 ordinary shares were issued, credited as fully paid up at 750p per share, and 7,243,478 5 per cent. Preference Shares were issued, credited as fully paid up at par, in accordance with the arrangements for the acquisition of the business of Pender & Bole. Further details of these arrangements are set out in paragraph 9(a) below;

(vii) on 13th April, 1986, 709,055 ordinary shares were issued, credited as fully paid up, and 108,422 ordinary shares were issued for cash, in each case at 750p per share, and £14,419,169 nominal amount of 5 per cent. Loan Stock was issued, at par and for value, in connection with the arrangements for the acquisition of Pender & Bole (an unlimited company then called Pender & Bole Securities). Further details of the arrangements for this acquisition and the acquisition by Pender & Bole of the business of the former partnership Pender & Bole, which involved the issue of shares by the unlimited company Pender & Bole (as set out in paragraph 9(b) below);

(viii) on 9th May, 1986, 35,396 ordinary shares were issued, credited as fully paid up at 750p per share, as consideration for the acquisition by the Company of 2,438 "B" shares in Morgan Grenfell Finance Holdings Limited, in accordance with the arrangements for the acquisition by the Company of further such "B" shares. Further details of these arrangements are set out in paragraph 9(c) below;

(ix) on 14th June, 1986, 517,391 5 per cent. Preference Shares, held by a former partner in Pender & Bole who retired from employment within the Group on 14th April, 1986, converted into 68,986 ordinary shares, giving rise to a balancing share (referred to in the Articles of Association of the Company as a "Special Share") of £448,605 nominal amount; and

(x) the Capitalisation Issue referred to in paragraph 1(a) (iii) below.

(e) Pursuant to a special resolution passed on 17th June, 1986 and conditional upon the admission by the Council of The Stock Exchange of the whole of the Company's ordinary share capital, and now being issued, to the Official List on or before 15th August, 1986, inter alia:

- (i) the 4,756,522 Unlisted Shares of £1 each were classified as ordinary shares;
- (ii) the authorised share capital was increased to £2,300,000 by the creation of 13,000,000 additional ordinary shares;

(iii) 59,256,245 unlisted ordinary shares were allocated on 14th June, 1986, credited as fully paid up at par, by way of capitalisation of reserves to the holders of ordinary shares on the register of members at the close of business on 14th June, 1986 on the basis of one new ordinary share for each existing such share held;

(iv) a general and unconditional authority was given to the Directors to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £91,807,004 for a period of five years unless previously varied, renewed or revoked and they were empowered, pursuant to section 95 of the Act, to allot equity securities in connection with rights issues in favour of the holders of ordinary shares where allocations of equity securities in connection with rights issues in favour of the holders of ordinary shares were made in accordance with the provisions of the Articles of Association of the Company, (2) the allotment or at before 13th August, 1986, to the holders of ordinary shares of the Company, (3) the allotment or at before 13th August, 1986, to the holders of ordinary shares of the Company, and (3) in addition to any allotment under (2), the allotment or at before 13th August, 1986, to the holders of ordinary shares of the Company up to an aggregate nominal amount of £10,000,000; and

(v) new Articles of Association were adopted.

- (f) The share capital of the Company immediately following completion of the Offer will be:

	Authorised	Issued
4 per cent. (now taking effect as 2.8 per cent. plus an associated tax credit) Cumulative Redeemable Preference Shares of £1 each	750,000	750,000
6 per cent. (now taking effect as 4.2 per cent. plus an associated tax credit) Cumulative Preference Shares of £1 each	250,000	250,000
11½ per cent. (excluding the associated tax credit) Cumulative Preference Shares of £1 each	12,000,000	12,000,000
5 per cent. (including the associated tax credit) Cumulative Redeemable Preference Shares of £1 each	6,726,087	6,726,087
Convertible Redeemable Preference Shares of £1 each	448,405	448,405
Ordinary Shares of £1 each	209,827,508	190,393,940
Total	230,000,000	170,766,982

A summary of the rights attaching to these classes of shares is set out under "Memorandum and Articles of Association" above.

(g) Upon conversion, the 5 per cent. Preference Shares become ordinary shares without requiring the issue of further ordinary shares. There are outstanding 6,117,391 5 per cent. Preference Shares which remain convertible and which would upon conversion become 6,117,391 ordinary shares (adjusted for the Capitalisation Issue) together with balancing shares of £1,448,605 aggregate nominal amount. Such balancing shares are generally not transferable and do not entitle the holder to the payment of any dividend or to any repayment of capital on a return of assets (except for the sum of 1p) or to attend or vote at any general meeting. The Company may at any time after 13th April, 1991, convert all or any balancing shares then in issue at a total price not exceeding 1p. Details of such balancing shares are set out in paragraph 2(e) of "Memorandum and Articles of Association" above.

(h) The 5 per cent. Loan Stock carries interest at the rate of 5 per cent. per annum payable by equal half-yearly instalments in arrears on 1st January and 1st July in each year. The stock is convertible into ordinary shares at the rate (adjusted for the Capitalisation Issue) of £36.66 nominal amount of ordinary shares for each £100 nominal amount of stock on 30th June in each of the years 1991 to 1995 (inclusive). The conversion rate is adjusted in the event of capitalisation or rights issues, distributions in specie, issues at a discount in specie or issues of the Company or if an offer is made to acquire all or any part of the ordinary shares and the Company becomes aware that there will be a change of control of the Company. The Company may require conversion of the remaining stock when at least 75 per cent. of the original amount of the stock has been converted. The conversion rights lapse if, on 13th April, 1991, the original allottee of the stock is not an employee of the Group or, if earlier, such allottee is dismissed by reason of misconduct or other acts which entitle the employer to dismiss him summarily, or resigns without the consent of the Company. If the capital share (1) ceases to be a public company, or (2) ceases to be a public company, or (3) ceases to be a public company, or (4) ceases to be a public company, or (5) ceases to be a public company, or (6) ceases to be a public company, or (7) ceases to be a public company, or (8) ceases to be a public company, or (9) ceases to be a public company, or (10) ceases to be a public company, or (11) ceases to be a public company, or (12) ceases to be a public company, or (13) ceases to be a public company, or (14) ceases to be a public company, or (15) ceases to be a public company, or (16) ceases to be a public company, or (17) ceases to be a public company, or (18) ceases to be a public company, or (19) ceases to be a public company, or (20) ceases to be a public company, or (21) ceases to be a public company, or (22) ceases to be a public company, or (23) ceases to be a public company, or (24) ceases to be a public company, or (25) ceases

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- Dated 30th June, 1964

USM REVIEW

Patience could pay off at steel buyout firm

The glut of new issues on the USM is producing investor fatigue.

Such choice is available that an issue has to have a very exciting story to attract interest and the debut of Thames Television and Morgan Grenfell on the main market this week has temporarily directed concentration elsewhere.

This situation is producing a number of opportunities for those prepared to be patient. One new issue reported to have received a lukewarm reception is Coated Electrodes International.

This Yorkshire business was a management buyout from the British Steel Corporation in 1983, and despite the vogue for engineering stocks in the last year, anything connected with the steel industry still arouses deep suspicion.

This, however, is a typical case of a niche business which is capable of growth despite

operating in a difficult environment.

Coated Electrodes has established the leading position in the application of protective coatings to graphite electrodes used in electric arc steelmaking (which now represents about 30 per cent of the Western world's steel production).

The technology, based on a Bulgarian-patented process pioneered in the 1960s, achieves a reduction of about 20 per cent in graphite consumption with significant cost savings.

Since the buyout, the group has more than doubled profits from £509,000 to £1.15 million, but the last two years have been flat because the company bought out BSC's remaining 48 per cent shareholding at the beginning of 1985, leading to a rise in interest charges.

The group has also faced hefty start-up costs in its French operation which is

now beginning to contribute to profits.

Coated Electrodes operates from factories in Britain and Scandinavia, which are relatively mature markets, and in the last three years, has expanded into France, the Benelux countries and Canada, and is starting on the much larger markets of the United States and Japan.

This overseas development should produce further profit growth in the next three years, while the ventures are relatively low-risk in the large Canadian and Japanese markets, and income will be in the form of royalties.

The shares have been placed at 84p, which puts the historic price-earnings ratio for the year to March 1986 at 9.8. With a profit advance of 30 per cent to £1.5 million expected in the current year, the rating drops to 8.6.

This discount to the average market rating should narrow.

One of the founder companies of the USM in 1980 was back in the news this week. Automatic, formerly called Helamat, the heel bar chain,

announced the acquisition of Normand Sweet, a private company which brings 18 new branches in Southern England, mainly in Hampshire.

The company is paying a maximum of £439,500 for the acquisition, and most of the purchase price will be in cash. At present, Normand Sweet makes small losses, but Automatic believes that this can be turned to profits once the company is integrated into its larger chain.

Automatic itself has had a volatile record as a public company, but trading in the current year is going well.

The interim profits showed an increase of 22 per cent to £153,000, and the traditionally more buoyant second half could take the preliminary figures for the year to April - expected to be announced in August - to about £50,000. The benefits of the Normand Sweet acquisition could enable the company to make a further advance to £700,000 in the current year.

Isabel Unsworth

The author is a member of the smaller companies unit at Phillips & Drew

FOREIGN EXCHANGES

STERLING SPOT AND FORWARD RATES

Market rates	Market rates	1 month	3 months
day's range	close		
N York 1.4970-1.5042	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
London 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Amsterd 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Frankfurt 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Paris 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Brussels 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Geneva 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Zurich 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Copenhagen 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Helsinki 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Oslo 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
Stockholm 1.5010-1.5025	1.5010-1.5025	1.5010-1.5025	1.5010-1.5025
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HORIZONS

A guide to
career choice

Banking on high-pressure

"The City has a reputation as a cosy club for public schoolboys. In reality it is highly competitive. We compete furiously against ourselves, against the Americans and against everyone else," says Andrew May, personnel director of the merchant bank, N.M. Rothschild and Sons.

A lot of people are out to make their reputations. They have the far-sightedness to realise that they have to pull their fingers out to get ahead. The work is strenuous mentally and physically.

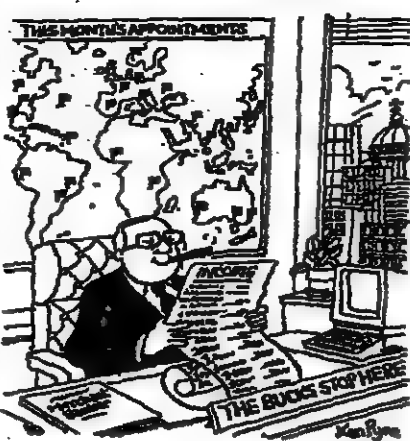
Merchant banks, such as Rothschild's, are reshaping themselves to meet the changes which are transforming the financial world. Barriers between traditional institutions are crumbling, new alliances being forged, and big conglomerates set up, offering a wide range of financial services.

With the so-called big bang next October, outsiders will be permitted to acquire a 100 per cent stake in stockbrokers or jobbers. Already a number of merchant banks have taken advantage of this free-for-all, and Rothschild's are establishing a joint-owned international operation with stock jobbers, Smith Brothers.

There is really no accurate definition of a merchant bank, though its clients tend to be governments and institutions rather than individuals. They have no network of branches like the clearing banks but operate from their head offices (normally in London) and a few have

While there is no accurate definition of a merchant banker, no one disputes it is a highly competitive profession.

Joan Wells looks at the requirements necessary to succeed in this career



accurate: the consequences of a mistake on the success of the activity and on the reputation of the bank can be crucial. Just as exciting - though on a smaller scale - because one is helping to create something, is the financing and funding of the building of a hydroelectric power station, a railway or a copper mine.

Money has to be raised, too, in the banking division, when a corporate customer wants to borrow money, perhaps to build a factory. In this department, graduates analyse the operation, and work out what the bank can charge by way of interest, in view of what it has to pay to obtain the money. In the case of larger loans, possibly to a government, for hundreds of millions of pounds, the risk is spread between a number of banks.

Handling large amounts of money is a stressful occupation at any time, but perhaps the most pressurised area of merchant banking is dealing in currencies (and in Rothschild's case bullion). In the autumn of 1985 the price of gold jumped about 20 dollars, when Japanese brokers misinterpreted a news flash to the effect that Larry Adler was ill. They thought President Reagan had died.

For all types of work, merchant banks recruit only the ablest candidates. Some two thirds of the hundred or so graduate entrants to the sixteen accepting houses each year come from Oxbridge, the rest from universities such as Bristol, Durham, Edinburgh, Exeter, London and York. Typically, a school-leaver entrant

will have two, three or even four A level passes, together with five or six O levels, including mathematics and English.

But academic excellence is not the only criterion. Extra-curricular achievements are very important. Graduates should be of an entrepreneurial cast of mind, well-motivated, displaying leadership qualities, and with good social skills. They have to be able to get on well not only with the team with whom they work, but also with a wide spectrum of clients ranging from a country's finance minister to a pension fund trustee who may come from a very humble background.

School-leavers can usually expect to spend their early years in clerical positions. Some will later become dealers in foreign exchange, bullion or investments. Some may travel to an overseas branch to fill a number of appointments. Others may enter one of the service divisions of the bank. Training is given to all new staff and most school-leavers study for professional or technical qualifications.

Graduate entrants spend about three months on an induction programme, gaining varied work experience before entering a specialist division. Certain divisions may subsequently suggest specific training. A number of graduates, for example, complete the Diploma of Corporate Finance course at the London Business School.

Many graduates will travel, especially when an overseas project is being put together. Rothschild's graduate brochure refers to seven graduates recruited in the

Handling large amounts of money is a stressful job

one year. Within three years there was one each in Mexico, Melbourne, Hong Kong, Port Moresby and Singapore.

Apart from travel, what else may entrants to merchant banking expect? Certainly not to work regular office hours. When clients want advice or finance, employees have to jump to it. In arranging a loan or merger, there are strict time limits within which to act. In corporate finance, in particular, one can find oneself working for two or three months at full stretch except for sleeping and eating. Social life can be ruined.

And the compensations? Excellent pay, with starting salaries of £9-£10,000 for new graduates, and the chance of earning £20,000 a year within three to five years, and then of negotiating one's own salary to astronomical heights. Also the usual banking fringe benefits, such as cheap loans for house buying, free health membership, and profit-sharing schemes.

It is a fast-moving, competitive way of life, which attracts many thousands for a few hundred vacancies. Those who stay the course thrive on pressure and enjoy a tough working environment.

Further information is available from The Accepting Houses Committee, Granite House, 101 Cannon Street, London EC4N 3BA.

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University of Wales

Department of
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RESEARCH FELLOW

Required as soon as possible for a period of 3 years to lead a Department of Energy and European Community supported project "Trials of equipment for harvesting, processing, storing and transporting wood for fuel".

Experience with timber harvesting, work study or computer simulation modelling an advantage. Must be prepared to travel overseas. The applicant should have a PhD or equivalent in Forestry, Engineering or related discipline. A clean driving licence is essential.

Salary £8,020 - £12,780 per annum on the Range 1A Scale or £11,790 - £12,780 on the Range 1A Scale (for Research and Analogous Staff) (under review) depending on qualifications and experience.

Further particulars and application forms from the Personnel Office, The University, Regent Walk, Aberdeen AB9 1FX, to whom applications (2 copies) should be lodged by 18 July 1986 (Ref No EL/039).

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Salary will be at an appropriate point on the Administrative Grade III scale: £14,870 - £18,025 per annum according to qualifications and experience. Appointment will be made from as early a date as possible.

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Spanish popular songs: Kathleen Battle, soprano).
Struss (Don Quixote: Yo
Yo Ma, cello). 4.55 News
5.00
Mintz for Pleasure; with
Freiz Spiegler selection
or recorded music.

Radio 2

On medium wave. See Radio 1
for VHF variations.
News on the hour. Headlines
5.30am, 6.30, 7.30 and 8.30. World
Cup 6.02, 7.07, 8.7. Wimbledon
88 starts at 2.02 incl regular sports

desks. General Desks 1.05pm, 9.55. Cricket Scoreboard 7.30pm. 4.00pm Colin Berry (s) 7.30
Ray Moore (s) 7.30 Derek
James (s) 8.30 Ken Bruce
(s) 11.00 Jimmy Young (s) 1.05
David Jacobs (s) 2.00
Wimbledon 85. 7.00 Alan Deal with
Dance Band Days and at 7.30
Big Band Era (s), 8.30 Big Band
Special (s), 9.00 Humphrey
Lyttelton with Jazz on record (s).
9.55 Sports Desk. 10.00 Some
of These Days. Panel quiz game
with Claire Payne, Andy
Richards, Russell Grant and Roy
Hud. Chairman: David
Hamilton. 10.30 Star Sound (Nick

On medium wave, VHF variations at end.
News on the half hour from

6.30am Nightingale 9.30pm and at 12.0 midnight

6.30am Brian John, 7.00 Mike Smith's Breakfast Show, 9.30 Simon Bates, 12.30 Newsbeat (Frank Partridge), 12.45 Gary Davies, 3.00 Steve Wright, 5.30 Newsbeat (Frank Partridge), 5.45 Bruno Brookes, 7.30 Eurythmics, Janice Long talks to Annie Lennox and Dave Stewart, 10.00-12.00 John Peel (s), VHF RADIOS 1 & 2- 4.00am As Radio 2, 2.00pm Gloria Hunniford, 3.30-4.00pm Hamilton (s), 5.00-5.05 Sarah Jane Smiley (s), 7.00 As Radio 2, 10.00 As Radio 2, 12.00-4.00am As Radio 2

WORLD SERVICE

6.00 Newsweek 6.30 A World in Edgeways
7.00 News 7.28 Twenty Four Hours 7.30
Waveguide 7.40 Book Choice 7.45
Sportsweek 8.00 News 8.28 Reflections
8.15 Half of the Day 8.30 Anything Goes
9.00 News 9.08 Review of British Press
9.15 Good Books 9.30 Franciscan News
9.40 Look Ahead 9.45 People's Choice
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2.00 News 2.05 Review of the Journey
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through 2.35 2.40 2.45 2.50 2.55

ULSTER As London except:
1.30pm Doctor and Judge 3.15 Canton
3.30-4.00 Sons and Daughters 5.00 Good
Evening Ulster 9.30 Bridghead News
Retired 11.30 Rally Report 12.00 News,
closedown.

CHANNEL As London except:

12.30pm Home Cookery
35 Sons and Daughters 2.40-3.30
The 100th Anniversary of the Great Fire of London
Mrs Tivvy 3.30-4.00
The Great Fire of London
Gosh French 3.30
Bridgeshead
visited 11.30
Dianne Warwick 12.30-2.00
Closdown.

ANGLIA As London except:
12.30-1.15 News 1.30-2.30
The Sky West and Crooked 6.00-
6.30
35 Abons 6.30-7.00
The 100th Anniversary of the Great Fire of
11.30 Dianne Warwick in London
12.30-2.00 Cambridge Angle, Closdown.

BAC 1.00-2.00 Dancin' Days 1.30-2.30
Uster Landscapes 2.00
Lunae
dyd Lun 2.15
1.15-1.30 2.00
Lies, Show 4.00
Maidling of Britain 4.30
The Great Fire of London 4.30-5.30
Should I have to You (Judy Milder)
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Continued on page 46

SPORT

England sent tumbling out by Maradona

From Stuart Jones
Football Correspondent
Mexico City

Argentina..... 2
England..... 1

In spite of a consolation goal from Lineker in the eighth minute, England's World Cup challenge melted away in the burning heat of the Aztec stadium yesterday. In confirming his title as the best player in the game, Maradona scored both of the goals that took Argentina through to the last four as the only remaining representatives of South America and as favourites to regain the trophy.

The previous few days had been filled with talk of Argentine revenge. The topic, mercifully, was sporting and not political. The memory they wanted to erase concerned their defeat at the same stage of the competition in 1966 rather than in the dispute over the Falkland Islands four years ago.

Carlos Bilardo, fearing that his side might be outmanned in midfield, omitted one of his forwards, Pasculli, in favour of the more defensive Enrique. Bobby Robson's lone alteration was to recall Fenwick in place of Martin.

Although Reid's recovery from his ankle injury was tested in an initial challenge with Brown and Fenwick was booked for his first assault on Maradona, the start was undeniably slow and cautious.

Nevertheless, Pumpido took an early gamble and almost paid for it. As

Argentina's goalkeeper chased Hoddle's inaccurate through ball outside his area, he lost his footing and subsequently the race with Beardsley. As he struggled to retain his position, Beardsley spun away towards the touchline, turned and curled his shot into the side netting.

The main threat at the other end was to be found predictably enough in the tightly muffed package labelled with the number 10. Whenever



MEXICO 86

Maradona appeared on the horizon, England's rearguard seemed to tremble in expectation.

Whether he was twisting and weaving with the ball securely attached to his left foot or whether he was merely gliding smoothly into position, there was an overwhelming sense of danger whenever Argentina's captain was on the run.

Three times in the first half he bent free kicks as though they had been caught by sudden gusts of wind. Two of them clipped the wide wall of white-shirted defenders. The other cleared the barrier and drilled a hole in the air beyond the outstretched fingers of Shilton and his left hand post.

Argentina's tall and comparatively immobile central defenders looked no more solid under pressure but, in spite of the ceaseless scurrying

of Lineker and Beardsley, England were unable to shake their uncertain foundations before the interval. It was during it that the peace in the stands was disturbed.

Even though an estimated police force of some 20,000 had been assembled specifically for the potentially explosive occasion, none were to be seen when several skirmishes broke out between odd individuals rather than groups. Within five minutes of the second half their distant colleagues at the other end were capturing a couple of moments of much greater significance, which were to signal the end of England's journey in the tournament.

The man who ended it was Maradona, who scored first with his head and then with his remarkable left foot.

His first strike in the 50th minute was ordinary. After exchanging with Valdano, he beat Shilton, who was left holding on to the vain hope that Maradona had used his arm. His second was extraordinary. He took on and accelerated past Sansom, Butcher, Fenwick and finally Shilton before completing, arguably the finest goal of the competition.

ENGLAND: P Shilton (Southampton); G Stevens (Everton), K Sansom (Arsenal), T Fenwick (Queen's Park Rangers), T Butcher (Ipswich Town), T Steven (Everton) (sub: J Barnes, Watford), G Hoddle (Tottenham Hotspur), P Reid (Everton) (sub: C Waddle, Tottenham Hotspur), S Hodge (Aston Villa), P Beardsley (Newcastle United), G Lineker (Everton). ARGENTINA: R Pumpido; C Cusado, J Brown, O Ruggeri, J Olarticochea, R Gilest, S Batista, J Buruchaga (sub: C Tapia), H Enrique, D Maradona, J Valdano. Referee: A Bernasconi (Tunisia).



Crying for Argentina: Maradona goes down after Fenwick's tackle

Schumacher saves Germans

Monterrey (Reuters) — Harald Schumacher made two saves in the penalty shoot-out to salvage a scrappy, ill-tempered victory for West Germany over Mexico on Saturday.

The host nation made their exit under a cloud of eight players being booked and two sent off. The football was largely incidental — no goals in 120 minutes of normal play.

The Germans won the shoot-out 4-1, after Schumacher saved the second and third Mexican penalties, stopping Quirarte's effort with his feet and Servin's diving to his right. Aloft, Brehme and Matthaus were successful with the first three German penalties, despite howls and derision from the partisan crowd and then Littbarski, who came on as a late substitute.

In extra time, the match turned as Aguirre, who had

already been booked, was sent off in the 100th minute for a foul on Matthaus, leaving both sides with 10 men. The home crowd then groaned when Mexico, who had already made both permitted substitutions, were down to nine men when Sanchez, their leading forward, went off for 10 minutes to be treated for cramp.

The West Germans looked much stronger in extra time, but were unable to convert their dominance into goals and they got into the semi-final with an obvious weakness in finishing, having only scored four goals in their five games. The atmosphere at the University Stadium, which has a capacity of 44,000, turned into a sea of red, white and green, was heavily charged. But the Mexicans were too

lightweight for the solid West German defence and the visitors too unadventurous. As fouls proliferated five Mexicans — Quirarte, Aguirre, De los Cobos, Servin and Sanchez — found their way into the book of referee Diaz of Colombia. Three West Germans — Aloft, Forster and Matthaus — also received yellow cards.

Franz Beckenbauer, the West German manager, said: "It was a physical match. We were forced to play cautiously because Mexico only played with one forward. Their tactics did not make it an attractive match and towards the end, all the players were virtually exhausted."

"France are a very fine team and have been one of the best for the last three or four years, but we believe we will have a chance against them in our semifinal. Penalties are not the ideal way to resolve matches, but we were lucky."

Schumacher said: "I am not the only hero of Monterrey — everyone helped. Now I don't even want to know about France."

Berthold said: "My marker kept spitting at me and hitting me. I may have hit him, but it was definitely not intentional. I find the expulsion ridiculous, as I had no yellow card before. It was my first red card ever."

WEST GERMANY: H Schumacher, D Berthold, K Forster, M Gerner (sub: P Littbarski, H Brehme, K Matthaus), F Wasth, A Bruns, J Barmann (sub: D Hoffmann, K Aloft), MEOCO: P Lange, R Amador (sub: P Cruz, F Cruz, F Garmann, R Servin), Wenzel, J Aguirre, M Negrete, M Espinoza, T Boy (sub: C de los Cobos), H Sanchez, Referee: J Diaz (Colombia).

who is under contract to Hamburger SV, also declined to discuss the match against Mexico. He was unshaven and looked fatigued.

Beckenbauer said he dismissed Stein because he "attacked the team, the management and football in general. This could no longer be accepted, and I asked him to leave the team's camp," Beckenbauer said.

It was Stein's second spat with Beckenbauer this week. He had been one of four players to break a late-night curfew on Wednesday, but Beckenbauer said that dispute had been settled with an apology and an explanation.

Stein was dismissed by Franz Beckenbauer, the manager, for insubordination and told to leave the team's training camp outside Queretaro. His dismissal was prompted by critical comments about Beckenbauer and the squad that appeared in the West German press. He was known to be upset about not playing in any games ahead of the Harald Schumacher, the West German No 1.

The goalkeeper turned away reporters who attempted to talk at his hotel and at the departure lounge. "I have nothing to say," Stein said. "I need three or four days' distance from the whole thing."

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A classic game opens way for French revenge

From David Miller, Guadalajara

It is doubtful if the first half-century of the World Cup saw a more eventful match than Saturday's quarter-final between France and Brazil. And the second half-century will be fortunate to see its equal. The two teams defied the ferocious temperature of 120 degrees in the Jalisco Stadium, and each other, to re-ignite international football with a classic tussle which will be talked about for years.

Whether France can recover their mental and physical fibre in three days after such an epic to settle the score with Schuster and avenge the semi-final of 1982 when they met West Germany again, keeps this competition in a state of fascinated anticipation.

Over two hours and a half, including the wrenching necessity for the nevertheless spell-binding execution by penalty shoot-out, there were the dramatic qualities of many sports. No 15-round world title bout, nor match-play golf taken to the 19th nor five-set tennis final fluctuating on every point, nor Olympic race decided in the last few strides could have had more suspense.

It was one of those rare occasions which makes any occupation uniquely pleasurable, yet how to recapture the emotions, skills and courage which flowed back and forth across the smelter pitch? I have not seen a better match in eight finals, nor one played in such a marvellous spirit: only one single mean foul, sheer desperation by Carlos, Brazil's goalkeeper late in extra time, amid mutual generosity which put many teams here to shame. As in all great sporting moments, the quality of the losers contributed as much or more than that of the winners. How we grieve for Brazil: such a flourish, yet to reward other than universal admiration.

The match swung from end to end through, almost with the rapidity of ice hockey, and one knew not how the players sustained the momentum in their fifth match at altitude in three weeks. There were 16 scoring opportunities created by Brazil to 15 by France. In some matches we have seen none.

On Friday, Jose Saldanha, Brazil's former manager whose marvellous team of 1970 was taken over at the last moment by Mario Zagallo, insisted this team was better than four years ago. It was stronger defensively and more balanced, with Zico the foundation of the mid-field — "the man who carries the piano", Saldanha said evocatively. What heroics were performed by Zico, Beto and Branco for Brazil; by Rossi, Amoroso and Fernandez for France, in the shadows of more famous reputations.

Brazil developed with every successive match, and if France, thrilling victors over the Soviet Union and Italy, were their first opponents of quality, they misbehaved within minutes all the traditional, instinctive touches which make Brazilian football so appealing: the excitement and the acceleration clear of a tackle by Junior, Careca and Muller which puts the opponents momentarily out of the game, the half-volleyed trap-kickers by Zico, Amoroso and the back or Socrates as the fulcrum of attack, which transforms apparent innocence into danger. No team can match Brazil in the mood.

France, which ended with the French winning on penalties after the teams had been deadlocked at 1-1, Carlos, who went into the match without conceding a goal in four games, a total of 360 minutes, had his eye on the record of England's Gordon Banks, who kept a clean sheet for 442 minutes before conceding an 82nd minute goal to Portugal's Eusebio in the semi-finals of the 1966 World Cup. Carlos was on target until Michel Platini's 41st-minute equalizer, which left him 41 minutes short of the record.

Leading the World Cup goalkicking list seems to carry something of a jinx. When Careca scored Brazil's goal against France he boosted his tally to five, joining England's Gary Lineker and Spain's Emilio Butragueno, but Brazil's elimination left him unable to add to his score, a fate earlier suffered by Denmark's Preben Elkjaer and the Soviet forward, Oleg Belonov.

Results

Quarter-finals

France 1-1 Brazil (4-2 on penalties)

Spain 2-1 Portugal (4-2 on penalties)

West Germany 2-1 Argentina (4-2 on penalties)

France 1-1 Brazil (4-2 on penalties)

Spain 2-1 Portugal (4-2 on penalties)

West Germany 2-1 Argentina (4-2 on penalties)

France 1-1 Brazil (4-2 on penalties)

Spain 2-1 Portugal (4-2 on penalties)

Mexicans back to reality with bump

Mexico City (AP) — As long as Mexico played to a full house in giant Azteca stadium, the host nation's team could do little wrong.

But once Tomas Boy's team left the capital and ventured into unfamiliar territory at the University Stadium, Monterrey, they lost their way and the final on June 29 became just a shattered dream.

Although Mexico never boasted their team had the individual skills of other countries, their fans waved red, green and white flags and pulled their side through four matches in the capital on a wave of fanatical support. In the cauldron of the Azteca, their deafening noise scared opposing teams into submission. But in Monterrey, West Germany, experienced and physically superior, were not impressed.

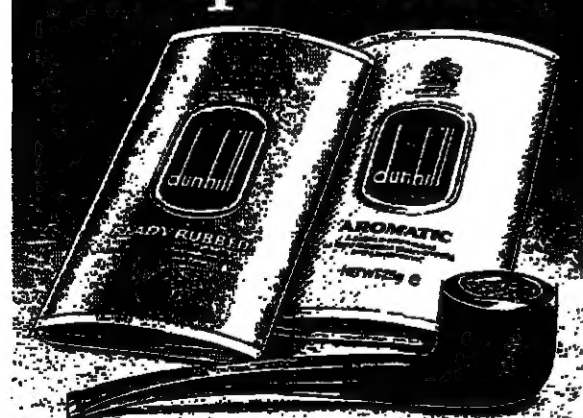
When it came to handling pressure, the Mexicans were

the first to crack. Mexico wanted badly to win: not only to reach the semi-finals, but also to prove that football among the 70 million in this Latin American nation of had come a long way since they fell as hosts in the same round in 1970 to Italy.

The tournament gave all Mexicans a chance to express all their pent-up emotions, coming just nine months after the earthquake that killed more than 9,500 people in the capital. Because of the earthquake, many impartial football fans hoped Mexico would win the trophy. For almost three weeks, Bora Milutinovic's team did not let them down, then his joy turned to tears. "It is only natural to see me cry. Understand that these years are for the loss we have just suffered."

Once again, Mexico plunged into football mourning.

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Hammer record

Yuri Sedikh, of the Soviet Union, bettered his own hammer world record yesterday when he threw a distance of 86.66 metres at an international athletics meeting between the Russians and East Germany in Tallinn. Sedikh's previous mark was 86.34 metres which he set in Cork, Ireland, in 1984.

Rider killed

Le Touquet (AP) — A 19-year-old Polish rider, Dariusz Soroka, was killed on Saturday when his horse fell on him during a jumping competition here. Soroka, a student from Drzonkow, near Zielona Gora in Silesia, was killed instantly.

Totten's job

Alec Totten, the former Rangers assistant manager, has been appointed the new manager of the Scottish first division club Dumbarton. Totten, previously successful with Alloa and Falkirk, lost his job at Rangers last week when Graeme Souness was appointed player-manager.

Suzuki wins

Nishinomiya (Reuters) — Koichi Suzuki, of Japan, shot a final round of 69 to win a \$50 million yen (£200,000) international golf tournament yesterday — his first major success in 11 years. He had five birdies to give him a four-round total of 273, 19 under par, and a two-shot win over the Australian Brian Janes.

Breathing fire

Hong Kong (AP) — China won Hong Kong's International Dragon Boat Race yesterday for the fourth consecutive year, capturing both the men's and women's championships. The defending men's champions, China's Shun De team from Guangdong province, completed the 640-metre course in 2 min 34.01 sec.

Cup draw

The draw for the Yorkshire county rugby league cup was made yesterday. PRELIMINARY ROUND (to be completed by September 10): Halifax v Mansfield; Sheffield Eagles v Doncaster. FIRST ROUND (to be played on September 14): Castleford v Halifax or Mansfield; Dewsbury v Sheffield or Doncaster; Batley v Wakefield; Hull v Bramley; Featherstone Rovers v York; Huddersfield v Bradford; Leeds v Wakefield.

East and West

Plymouth Argyle, promoted to the second division last season, will play a pre-season match against Moscow Torpedoes, the Russian Cup holders, at Home Park on August 18. The Torpedoes have arranged a short tour of England, which also includes games against West Bromwich Albion and Nottingham Forest.

Santana resigns after defeat

Tele Santana, the Brazilian coach, resigned after his team's defeat by France in the World Cup quarter-final on Saturday. It is the second time he has given up the job — he also resigned in the 1982 competition after Brazil lost to Italy.

Santana was recalled in February, when his backers in the Brazilian football confederation won a battle to rename him coach. But in fighting between Santana and Mario Zagallo, who was coach to the 1970 World Cup winning squad, kept the team's line up so uncertain that former superstar Pele now 45, volunteered three weeks before the tournament to join the team. The offer was refused.

Santana said his last game as coach was "the best I've ever seen in a World Cup. It should have been the final."

A "friendly" match between officials of FIFA and the Mexican World Cup organising committee, turned into a brawl and two players, including a FIFA official, were sent off.

Spectators at the match, played in Mexico City's Centro de Capacitacion, the training ground used by Mexico's World Cup squad, said the two teams began taking the match a little too seriously and

a brawl ensued after a series of bad fouls. The referee, Mario Robito, of Mexico, who officiated during matches at the last World Cup in Spain, sent off FIFA official Walter Gagg, of Switzerland, and one player from the Mexican organisers.

An estimated 12 billion viewers in 108 countries watched